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Thursday November 15 1990

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ANTARCTICA
Saving the last virgin continent
Page 6

World News

Supreme Soviet will refuse new legislation

The Supreme Soviet in Moscow declared open revolt against the collapse of central authority by refusing to consider any new legislation until after a crucial emergency debate, set for tomorrow.
The deputies demanded a briefing on President Gorbachev's plan for a new union treaty and on his meeting last weekend with Boris Yeltsin, president of the Russian federation. Page 24

Frontier agreed
Poland and Germany signed a treaty which finally confirmed their long-questioned Oder-Neisse border and closed one of the last disputes of the Second World War. Page 3

Czech rift danger
Nationalists demonstrated in Bratislava only hours after Federal, Czech and Slovak leaders forged an agreement intended to avert a threatened split between the Czech and Slovak republics. Page 2

Irish suspect moved
Hunger-striker and suspected terrorist Desmond Ellis was extradited to Britain from Curragh military hospital after losing his legal battle to stay in the republic. Page 8

Police storm street
More than 1,500 policemen stormed a barricaded Berlin street in a final bid to evict hundreds of leftwing radicals from dozens of occupied buildings. Page 24

NZ gunman kills 11
A gun-mad loner massacred 11 people in a tiny New Zealand town near Dunedin before he was killed by anti-terrorist police in a hail of bullets.

US, EC talks accord
US and EC leaders removed the main remaining obstacles to issuing a declaration of principles intended to strengthen joint consultation. Page 6

Coup plot attacked
A former Soviet chief-of-staff attacked suggestions of a possible military coup against President Gorbachev as a deliberate plot to discredit the armed forces. Page 3

Indonesian union
A group of workers and human rights activists in Indonesia formed an independent trade union which aims to challenge the monopoly of the country's one officially sanctioned union.

Chinese peace bid
Indonesian President Suharto and guerrilla leader Prince Norodom Sihanouk arrived in Beijing for a "mini-summit" on the Cambodian conflict.

Communist defeat
Veteran nationalist Zviad Gamsakhurdia was elected president of the Soviet republic of Georgia, the first non-communist to hold the job for over 70 years. Observer, Page 24

Israeli crackdown
Israel plans to halve the number of Palestinian workers from the occupied territories to about 60,000 to free jobs for immigrants, economics minister David Magen said.

Philippine typhoon
President Aquino declared 22 provinces disaster areas after typhoon Mike killed at least 72 people as it roared through central and southern Philippines.

Guards storm jail
Paramilitary guards stormed a jail in eastern Spain after convicts rioted and threatened to kill four prison warders they took hostage on Monday.

Sale sets record
Baron Thyssen-Bornemisza set an auction record for any British painting by paying £10.8m ($20.1m) for a landscape by 19th century artist John Constable. Page 23

Business Summary

Profits at Siemens climb to over $1bn for year

Net profits of Siemens, German electrical and electronics group, picked up sharply in the final quarter of the 1989-90 financial year to leave annual earnings total 6 per cent higher at DM1.67bn ($1.1bn). Shareholders will receive a dividend of DM13 a share, up from DM12.50. Page 25

GERMANY plans to cut government spending by DM35bn ($23bn) next year, Mr Theo Waigel, the finance minister, announced. Page 24

ENIMONT, Italian chemicals group jointly owned by Montedison and its public sector rival, ENI has been encouraged by a Milan judge to settle the bruising and discrediting battle over its future control and strategy. Page 25

GKN, British engineering group, is negotiating a supply of several hundred Warrior combat vehicles to the United Arab Emirates in a deal that could be worth at least £200m ($388m). Page 4

BRITISH Airways reported a 23.6 per cent rise in first half pre-tax profits to £320m ($620m) but warned of a difficult second half because of soaring fuel prices and slower traffic growth. Page 25; Lex, Page 24

BILSPEDITION, Scandinavia's largest private transport group, plans a rights issue and hopes to raise SKr545m ($93.4m) to bolster its financial base and an aggressive acquisitions drive. Page 26

DRAGADOS Y Construcciones, Spain's biggest construction group, announced a Pta5.25bn ($56m) bid for 75 per cent of CAE, a profitable domestic electronics company. Page 26.

DEUTSCHE Genossenschaftsbank, Germany's fourth largest bank, saw its chairman, Mr Helmut Guthardt, resign yesterday. Page 26

HONG KONG announced plans to clamp down on tax benefits through depreciation allowances on aircraft and ship leasing. Page 7

ASTRA, Sweden's biggest pharmaceutical group, reported a 34 per cent jump in profits before financial items, to SKr1.84bn ($332m), for the first nine months of 1990. Page 26

SOUTH KOREA has said that the rate of direct foreign investment is slowing, while an increasing number of foreign companies are withdrawing from the market. Page 7

CETUS, one of largest remaining independent US biotechnology companies, has given up dreams of creating a fully integrated pharmaceuticals company and is actively seeking "strategic partners". Page 27

JAPAN'S trade surplus fell last month to $3.23bn, as an increase in the cost of oil imports offset a rise in exports boosted by the weakness of the yen earlier this year. Page 7

THORN EMI, music and technology group, is selling its loss-making lamp manufacturing business to GE of the US for £69m ($133m). Page 25

LION NATHAN, Auckland-based brewer, reported a 60.7 per cent rise in pre-tax profits to NZ$78.6m ($46.4m) from NZ$47.02m for the year to August. Page 28

RELIANCE Industries, India's second largest private sector company which produces textiles and synthetic fibres reported a 28 per cent rise in sales to Rs10.37bn ($576m) in the first half of 1990 from Rs8.09bn a year earlier. Page 28

PLATINUM supply will outpace demand this year for the first time since 1984, predicts Johnson Matthey, the world's biggest platinum marketing group, in its "interim review" of the market. Page 38

US prepares plans to supply emergency aid to Soviets

By Lionel Barber in Washington

THE US is drawing up plans to supply emergency food and medical aid to the Soviet Union as part of a humanitarian *package aimed at averting* shortages and possible disruption this winter.

The Bush administration is increasingly worried about internal instability in the Soviet Union.

Reports this week that Moscow and Leningrad may be forced to introduce food rationing before Christmas have heightened concern.

The aid package remains under wraps because of its *political sensitivity. The Soviet* leadership has yet to take the difficult step of making a formal request for assistance from its former Cold War adversary, while administration officials recognise that even humanitarian aid runs the risk of being billed as a "Save Mikhail Gorbachev" exercise.

However, the US has been in touch with allies about the possiblity of international humanitarian assistance such as food, medicine and clothing for the Soviet Union this winter.

President George Bush is expected to discuss the issue *when he meets Chancellor* Helmut Kohl of Germany at his weekend home in Oggersheim on Sunday.

Diplomats in Washington said President Gorbachev had spelt out his country's economic difficulties during meetings in the past four weeks with Mr Kohl and President François Mitterrand of France.

However, the Soviet leader's requests for bank credits and financial assistance met a cool response.

Instead, western efforts are likely to focus on practical help aimed at reducing internal disruption.

One fear is that severe food shortages could encourage Soviet citizens to cross the border into Finland, or that economic dislocation caused by strikes in industries such as mining and railways could spill into eastern Europe.

An unresolved question remains how best to co-ordinate an assistance package. Some western officials believe Moscow would prefer to work bilaterally in the framework of its new treaties with France and Germany. Using the Group of 24, the forum for the US, Japan, Europe and other industrialised countries, "risks diluting the amount of aid", said one diplomat.

The US has made no decision on assistance and remains sensitive to Soviet pride. In a recent speech, Mr James Baker, US secretary of state, said the fate of Soviet reform would depend on the Soviets themselves.

"Their choices are their own ... but their choices *will* be less hard if we in the west stand by their side. Our influence may only be marginal. But help, however offered and however marginal, can still make a difference. The American people can make a difference."

The humanitarian package remains separate from other studies being conducted by the IMF and World Bank on how to help the Soviet Union make the transition to a market economy.

Mr Barber Conable, president of the World Bank, is in Moscow this week on the first visit by a president of the international lending agency.

Coup rumour attacked, Page 3

Tory MPs in turmoil ● Senior ministers voice fears ● Contingency plan mooted

Heseltine challenges Thatcher

By Philip Stephens and Ralph Atkins in London

MR Michael Heseltine launched his bid for leadership of the British Conservative party yesterday, saying he was now persuaded that he had a better chance than prime minister Margaret Thatcher of leading the party to victory at the general election due by mid-1992.

Amid continuing turmoil among Tory members of parliament at Westminister, he pledged to preserve the present political balance in the cabinet. Senior ministers gave overwhelming public backing to Mrs Thatcher and predicted a clear victory for her in the first ballot. But they privately voiced fears that Mr Heseltine – who already claims the support of well over 100 of the party's 372 MPs – might just establish a bandwagon of support for his candidacy.

One senior minister acknowledged that he had been involved in private soundings with colleagues on a contingency *plan in the event that* Mr Heseltine did manage to deny Mrs Thatcher victory in the first round. There was also a fear that Mrs Thatcher could be fatally undermined by a large number of abstentions.

The minister said that a majority of his cabinet colleagues would then back Mr Douglas Hurd, the foreign secretary. Mr Hurd yesterday declined to rule himself out of contention if Mrs Thatcher withdrew in such circumstances.

In an interview with the Financial Times, Mr Heseltine sought to dismiss any suggestion that victory for him in next Tuesday's leadership election would risk splitting the Conservatives.

He refused to discuss individual ministers, but stressed that he believed that the present cabinet broadly reflected the different political strands among Tory MPs at Westminister.

Mr Heseltine's campaign platform appeared carefully formulated to maximise support at Westminster. The package was billed by his supporters as an extension of Thatcherism, rather than a redefinition of Conservatism.

In a statement explaining his decision to reverse earlier pledges not to stand against the prime minister, he said that Sir Geoffrey Howe's resignation as her deputy had *shown that she could not* maintain a united cabinet.

Her opposition to European integration, which had been behind his own departure from the government in 1986 and Mr Nigel Lawson's resignation as chancellor of the exchequer last year "damages the proper pursuit of British self-interest in Europe", he said.

He then launched in a calculated attempt to win the support of the scores of Tory MPs who fear the loss of their seats at the next general election.

"The Conservatives have been driven into third place in [a by-election in] Bradford, an industrial city, which has unavoidable comparisons with other constituencies essential to the future re-election of a Conservative government", he said

Mr Heseltine then added: "I am persuaded that I would *now have a better prospect* than Mrs Thatcher of leading the Conservatives to a fourth electoral victory and prevent *the ultimate calamity of a* Labour government."

Looking relaxed but tired in his office near Westminister Mr Heseltine told the FT that

Continued on Page 24

Michael Heseltine, with his wife Anne, after announcing his candidacy yesterday

Senior Tories attack contest

By Alison Smith and Ivo Dawnay in London

SENIOR Conservative *ministers moved yesterday to* reject the idea that Britain would be isolated and impotent in Europe under the con*tinued leadership of Mrs* Thatcher.

As the challenge to the prime minister was officially launched, a *chorus of cabinet* ministers condemned the contest as unnecessary and divisive, while Mrs Thatcher's campaign team expressed confidence that she would win with "a good majority" on the first ballot.

Mr John Major, the chancellor of the exchequer, said he was convinced that Britain *could and should continue* to play "a constructive and central role" and that the European Community would be *able to agree a way forward on* economic and monetary union that was acceptable to all 12 member states.

*Mr Douglas Hurd, the for*eign secretary, who proposed Mrs Thatcher's nomination, said: "The things that almost all of us believe in are best achieved under the present leadership."

He called contest a "mistake" and hoped Mrs Thatcher would be returned so that the party could "get on with the positive policy on Europe".

While he agreed with a good deal of the analysis put forward by Sir Geoffrey Howe, *the former deputy prime min*ister, in his resignation speech on Tuesday, he disagreed with the conclusion that the objec*tives could not be achieved* under the present leadership.

Mrs Thatcher, who was in

Continued on Page 24

Ridley speech, Page 8; New-style challenge; market and overseas reaction; election details, Page 10

Bush heads off pressure for recall of Congress

By Peter Riddell, US Editor, in Washington

US President George Bush yesterday reassured congressional leaders that he had *made no decision to use mili*tary force in the Gulf, heading off pressure for an immediate recall of Congress.

After a lengthy White House meeting, the two top Democrats, Mr Tom Foley, House Speaker, and Senator George Mitchell, the majority leader, said they were satisfied about consultations so far and had no present plans to call a special session of Congress. Mr Bush had reassured them increased US military commitment to the Gulf did not mean automatic war. A recall of Congress is opposed by the administration.

The meeting followed increasing bipartisan congressional concern after last week's announcement that an extra 150,000-200,000 US troops were being sent to the Gulf. This has led to calls for a clearer statement of US objectives and their possible endorsement by Congress, to bolster American public support.

Mr Foley said "the president's assertion is that this *additional build-up does not* represent a decision to use force but to have the capability and to create a credible *option.*"

After the meeting, Mr James Baker, US secretary of state, claimed there was strong inter*national backing for Mr Bush's* Iraq policy and said the US could not accept "partial solutions" to the crisis.

While the White House and Congressional leaders appear

Continued on Page 24
Prospects fade for Arab summit, Page 7; Saudi women in equality drive, Page 24

US warns it will not soften line on agricultural trade reform

By David Marsh in Bonn

A STRONG warning that Washington will not back down in the gathering confrontation with Europe over agricultural trade reform, was issued last night by Mr Clayton Yeutter, the US agriculture secretary.

Speaking after talks in Bonn with German government ministers, Mr Yeutter said that belief in Europe that the US might soften its farm trade line was "a dangerous strategy doomed to be proven incorrect".

He said some Europeans were putting forward the view that: "You Americans sound tough – but we know that at the end of the day, you'll blink." Mr Yeutter said that the important world agricul*tural producers formed a com*mon front and "I don't believe that any of us are going to blink at the end of this exercise".

In talks with Mr Ignaz Kiechle, the Bonn agriculture minister, and Mr Helmut Haussmann, the economics minister, Mr Yeutter said he gained the impression that *Bonn was "committed to a suc*cessful outcome of the Uruguay Round". But this had to be translated into "real news at the negotiating table".

Clayton Yeutter: warning

Both Mr Yeutter and Mrs Carla Hills, the US special trade representative, appealed to Germany's self-interest as an important trading nation to bring the Uruguay Round to a successful conclusion.

Mrs Hills warned that "geopolitical stability" was at stake, and hinted at linking the farm trade talks and the long-running dispute with Europe over financing the Airbus project. In both cases, governments were trying to subsidise currency fluctuations. "We are negotiating in good faith", said Mrs Hills, adding that "appropriate action" would be taken if the dispute was not resolved.

Mr Yeutter said he and Mr Kiechle had had "rewarding discussions" over the farm policy issues.

Mr Yeutter warned of "enormous trade disruption" if the Gatt talks failed and said the "price tag" for eventual agricultural changes would increase. Germany anyway needed to restructure agriculture in the former East Germany after reunification. It was in Bonn's interest to take "guidance and direction" from the Gatt Uruguay Round for the necessary reforms east of the Elbe.

US aims to end Uruguay impasse, Page 4

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Gulf crisis presents new opportunities for women

When King Fahd (left) called on Saudi women to help in humanitarian and medical fields, 15,000 volunteered. Yet they are still segregated from men throughout society and not even allowed to drive
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MARKETS

STERLING
lunchtime: $1.9588
London:
$1.9615 (1.9645)
DM2.8875 (2.9075)
FFr9.735 (9.7775)
SFr2.445 (2.46)
Y254.25 (254.5)
£ index 93.7 (93.9)

GOLD
New York: Comex Dec $378.5 (387.0)
London:
$384.25 (383.25)

N SEA OIL (Argus)
Brent Dec
$32.125 (32.95)

Chief price changes yesterday: Page 25

DOLLAR
New York lunchtime:
DM1.4737
FFr4.972
SFr1.2478
Y129.92
London:
DM1.4715 (1.48)
FFr4.9625 (4.9775)
SFr1.246 (1.2525)
Y129.6 (129.55)
$ index 60.1 (same)
Tokyo close:129.05

US rates
Fed Funds 9%
3-mo Treasury Bills: yield: 7.29%
Long Bond: 102⅞
yield: 8.6%

STOCK INDICES
FT-SE 100:
2,046.0 (−10.0)
FT Ordinary:
1,583.2 (−10.4)
FT-A All-Share:
986.82 (−0.5%)
New York lunchtime:
DJ Ind. Av.
2,558.17 (+22.77)
S&P Comp
319.79 (+2.12)
Tokyo: Nikkei
23,937.44 (+36.23)

LONDON MONEY
3-month interbank: closing 13⅞% (13¾)
Little long gilt future: 83⅝ (84⅛)

Yugoslav premier to warn republics

By Judy Dempsey and Laura Silber in Belgrade

YUGOSLAVIA'S prime minister, Mr Ante Markovic, will today deliver a toughly-worded speech to the federal assembly in which he will ask the six republics if they genuinely back his economic reforms.

If they do, then Mr Markovic's plans to modernise the fiscal system, introduce privatisation and attract foreign investment may finally see the light of day.

If the republics reject his proposals, which reconcile federal-based economic policies with demands by some republics for greater autonomy, any hopes that Yugoslavia can continue to function as a feasible state and move closer to the European Community are doomed. The prime minister's increasingly combative stance towards the six republics would have been unthinkable a few months ago.

Then, the two northern republics of Croatia and Slovenia were threatening to secede from the Yugoslav federation. Serbia, the largest of the republics, was gripped by a frenzy of nationalism; and hundreds of ethnic Albanians from the southern province of Kosovo were being summarily sacked from their jobs by the local administration, which is backed by Serbia.

Those thorny issues have not died. The difference today is that Slovenia and Croatia have democratically-elected governments and Serbia soon goes to the polls. But most important, and against all the odds, Mr Markovic has set up a national-based Yugoslav party called the League of Reformed Forces.

The aim of the party is simple: if Yugoslavia is to continue as a state, political parties must transcend the ethnic base upon which most are based and appeal to a wider, more "national" audience.

Signs that Mr Markovic's party is gaining some credibility in this direction emerged last weekend during free elections in Macedonia, one of the poorest republics, in the south. Although the full results have not been confirmed, the League is likely to form a coalition with reformed Communists. The two most important elections are yet to come. The republic of Bosnia-Hercegovina goes to the polls on Sunday, and Serbia next month.

If Mr Markovic can make a significant impact in these republics, Yugoslavia will have begun to pass from three years (and five suppressed decades) of sordid nationalism and ethnic hatred, to a more liberal political environment.

But as many Yugoslavs admit, that "if" is very big.

Agreement averts Czech-Slovak split

BY Leslie Colitt in Berlin

ANGRY Slovak nationalists demonstrated in Bratislava only hours after agreement was reached in Prague averting a threatened split between the Czech and Slovak Republics.

More than 1,000 supporters of the Slovak National Party (SNP) gathered late on Tuesday in the main square of the Slovak capital demanding independence for Slovakia and chanting "dost bolo Prahy" – enough of Prague.

The last-minute agreement on a draft law, subject to approval by the parliaments of the two republics and the Federal Assembly, was achieved by Federal, Czech and Slovak leaders. It divided powers between the Federal government and the Czech Lands and Slovakia, leaving foreign affairs, foreign trade, the central bank, taxation and price reforms under federal control.

However, three separate budgets will be created and each republic will be able to conclude international treaties, with permission from the Federal government.

The accord was regarded as an achievement for Mr Marian Calfa, the hard-pressed Czechoslovak prime minister, who is a Slovak. It comes before local elections November 23 and 24 in which moderate Slovak politicians fear that the nationalists could double the 13 per cent they scored earlier this year.

But remarkably, Mr Vladimir Meciar, the Slovak prime minister, who took part in the talks told a Slovak newspaper that he was "disillusioned" by the deal.

Further reflecting the growing differences over Slovakian sovereignty among the moderates, Mr Jozef Meklosko, chairman of the Slovak parliament and, like Mr Meciar a member of Public Against Violence (Pav), the senior partner with the Christian Democrats in the Slovak government, said yesterday in Bratislava that the agreement reached in Prague was "very good."

Oldest E German reactor to be closed

FORMER East Germany's oldest nuclear reactor is to shut down permanently because it cannot be modernised to new standards imposed by German unification, Reuter reports from Berlin.

The 24-year-old reactor at Rheinsberg, some 60 km (35 miles) north of Berlin, may take 30 years to demolish fully as radiation will have to wear off first, said Mr Dietmar Brauer, a spokesman for the Energie Nord AG company.

East Germany switched off most of its nuclear power in February to avoid another Chernobyl-style disaster. Formerly, nuclear power provided around 12 per cent of electricity.

The East Berlin government originally wanted to keep the Soviet-built Rheinsberg unit working until 1992 but it was switched off five months ago pending the result of a study.

Mr Brauer said the study confirmed the 70-megawatt reactor should shut. It will be partially dismantled and then sealed for the next 25 to 30 years.

Nuclear waste from the plant would be transported by train for underwater storage at the Greifswald nuclear plant on the Baltic coast.

Romanian workers protest over price rises

SEVERAL thousand workers demonstrated against government policies in a north-eastern Romanian city yesterday ahead of protest rallies planned for today, according to national radio, Reuter reports from Bucharest.

The demonstration in the industrial city of Bacau was the latest bout of unrest sparked by government economic reforms and price rises.

The protest was a foretaste of rallies planned in most cities today against President Ion Iliescu and the economic reforms of Prime Minister Petre Roman's government.

Meanwhile, several hundred banner-waving supporters of the opposition Free Democrats and monarchists protested in Bucharest.

They shouted "Down with Iliescu" and demanded urgent government action to support ethnic Romanians in the neighbouring Soviet republic of Moldova who have been involved in clashes with a separatist Russian-speaking minority.

Free trade unions and pressure groups have called rallies for today to protest against the way the ruling National Salvation Front (NSF) has handled the economic crisis.

Spirit of CFE treaty disappears east of the Urals

By Ian Davidson in Paris

THE East-West treaty on the reduction of conventional forces in Europe, due to be signed in Paris on Monday at the opening of the pan-European summit meeting, should guarantee a deep reduction in the potential military threat to western Europe from the Soviet Union.

But senior officials in the French and German governments are privately critical of the Soviet Union for allegedly circumventing, on a massive scale, the intentions of the treaty on Conventional Forces in Europe (CFE) before it comes into force.

The main thrust of the CFE treaty imposes deep cuts in Soviet holdings of offensive conventional weapons systems, so as to establish parity between the two alliances inside the treaty area, which runs from the Atlantic to the Urals. Under the treaty, these reductions should mainly be brought about by the verified destruction of weapons systems.

But French and German officials charge that the Soviet Union is removing vast quantities of its surplus holdings of the specified weapons categories out of reach of the CFE restrictions in the treaty area and transferring them east of the Urals, before the CFE agreement comes into effect.

The claim is not that these unilateral transfers are illegal, but that the Soviet Union is acting against the spirit of the treaty negotiations.

The CFE treaty will guarantee a low and stable balance of weapons systems inside the treaty area. But the large volume of Soviet offensive weaponry now transferred east of the Urals will be potentially available for transfer back again in the event of a crisis in the European zone.

West European officials do not claim that Moscow is preparing for a re-conquest of eastern Europe, even though they have heard no plausible, and certainly no reassuring justification from the Soviet Union for the large transfers of weaponry. But they do infer that the Soviet political leadership is so weakened that it is unable to resist demands from the armed forces to retain large arsenals which would otherwise have had to be destroyed.

The CFE treaty sets fixed ceilings for five categories of weapons: tanks, artillery, armoured combat vehicles, aircraft and helicopters. Any equipment in excess of these ceilings at the moment of signature must be destroyed, irrevocably converted to civilian use, or else transferred to some other category.

The Soviet Union claims that around 70 per cent of its reductions will have been achieved unilaterally by transferring military equipment east of the Urals, out of the treaty zone. According to figures reportedly provided by the Soviet Union to the US Administration, but not tabled in the multilateral negotiations in Vienna, the Soviet Union is claiming that 71,000 items of treaty limited equipment will have been transferred by next Monday.

Under the treaty the Soviet Union should cut its holding of battle tanks from the 41,580 which it had in the zone in July 1988, to a new ceiling of 13,150, a reduction of 68 per cent. The Soviet Union is now claiming that over half of this reduction – 20,000 tanks – will have been achieved by unilateral physical transfer out of reach of the CFE treaty.

Similarly its holdings of artillery should be reduced from 52,400 to 13,175 pieces, a cut of 75 per cent. The Soviet Union now claims that 14,100 artillery pieces will have been transferred before signature of the treaty.

Soviet offensive weaponry now transferred east of the Urals will be potentially available for transfer back again in the event of a crisis

Some US experts argue, however, that the Soviet weapons transfers may be entirely innocent. They say that the Soviet Union has told the US that of the 20,000 tanks transferred east of the Urals, 8,000 are being exchanged with older equipment in the Soviet Far East, 4,000 have already been either destroyed, converted or exported, and that a further 8,000 will be either destroyed, converted or exported. They also believe that much of the retained weapons systems are being stored in the open and will be rendered progressively unusable by rain and frost.

If the surplus Soviet weapons are in fact being destroyed east of the Urals, it would be tempting for Western governments to seek verification of the fact. The trouble is that any Western move to extend CFE inspection procedures outside the treaty zone in the eastern Soviet Union would certainly prompt a Soviet demand for inspections in the US, which is likely to be unacceptable to Washington.

Papandreou defies court

THE former Greek Socialist prime minister, Mr Andreas Papandreou, who faces charges of accepting bribes while in office, yesterday defied an order to appear before an investigating magistrate next week, writes Kerin Hope.

One of Mr Papandreou's aides delivered a letter to the magistrate claiming that "my faith in justice does not allow me to participate in a process that undermines its authority and makes it the focus of a political confrontation".

Mr Papandreou, now the opposition leader, argues that his indictment by parliament last year for alleged involvement in the Bank of Crete embezzlement scandal, was a political plot.

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Akhromeyev denounces rumour of military coup

By Quentin Peel in Moscow

MARSHAL Sergei Akhromeyev, former Soviet *chief-of-staff* and the most respected soldier in the military establishment, yesterday denounced suggestions of a possible coup as a deliberate plot to discredit the armed forces.

At the same time, he insisted that the Red Army might be used to defend the Soviet constitution and to prevent the disintegration of the Soviet state.

In a furious defence of the military, Marshal Akhromeyev, now an adviser to President Mikhail Gorbachev, warned that "nationalist-minded elements are trying to wreck the federal structure of our state".

However, while he called for the defence of the "federal socialist state", he also recognised that "a multi-party society, and the political struggle of the parties for influence is quite legitimate".

He accused nationalists and radical anti-communists of orchestrating a campaign of coup rumours to discredit the army, navy and air force.

Marshal Akhromeyev's article was published in the conservative daily newspaper, Sovietskaya Rossiya, the day after President Gorbachev had himself warned a military meeting about the danger of the disintegration of the state.

Marshal Akhromeyev: denounces coup

Referring to the current negotiations to draft a new union treaty between the 15 Soviet republics, the Soviet leader said: "The union of sovereign republics, to use a military idiom, is the last line of the trenches. Beyond lies the disintegration of the state." At the same meeting, Marshal Dmitri Yazov, the Defence Minister, warned of "negative moods in the army, tensions and dissatisfaction with the service. "In his article, Marshal Akhromeyev attacked the group of 47 leading politicians, academicians, scientists and middle-ranking officers, who warned of the danger of a military dictatorship in an open letter to Mr Gorbachev last July. "From my point of view, they speak about the removal of the socialist system, and its replacement with the capitalist one," he said.

He rejected the accusation that the 1,991 marshals, generals and admirals in the Soviet armed forces would launch a coup simply to protect their privileges, insisting that "all privileges with regard to state dachas have been abolished".

He said that since the middle of the year, a "campaign to discredit the armed forces had merged with the campaign to discredit the Communist Party, and drive it onto the sidelines of political life".

Thus the advance began against our federal political structure, with the aim of disintegrating it, and against our socialist order, with the aim of liquidating it."

If in the course of such struggle, not the Communist Party, but some other party wins the elections, the armed forces will recognise that fact."

Poland and Germany sign treaty on frontier

By Christopher Bobinski in Warsaw

THE Polish and German foreign ministers signed a historic treaty here yesterday, confirming Poland's existing western frontier and renouncing German claims to territories lost as a result of the Second World War.

In his speech at the ceremony, Mr Hans Dietrich Genscher took care to refer to the feelings of those Germans who lost their homes as a result of the territorial shift. He also made clear to his Polish counterpart, Mr Krzysztof Skubiszewski, that the 200,000 or so Germans still living in Poland remain an object of concern to his government.

"The treaty signed today does not surrender anything that was not lost long ago as the result of a criminal war and a criminal system," Mr Genscher said.

Visa restrictions on Poles will be lifted by the end of this year as a result of the treaty. Mr Genscher also stressed that Germany supported Poland's request for association with the European Community.

The treaty strengthens the hand of the Polish prime minister, Mr Tadeusz Mazowiecki, in his fight to be elected Poland's president on November 25. The supporters of his main rival, Mr Lech Walesa, have criticised Mr Mazowiecki for making little progress in improving relations with Germany.

Poland and Germany have yet to negotiate and sign a treaty on mutual relations. This would include provision for the disruption caused to Poland's trade following the disappearance of East Germany. This agreement is to be completed by next January.

European central bank statutes fail to rule on division of powers

Basle agreement leaves issues unres

By Peter Norman, Economics Correspondent

THE statutes of the proposed European central bank, agreed in Basle on Tuesday, have left open a number of important issues including the division of powers between the bank's executive board and ruling council and how the bank's profits should be shared.

Monetary officials involved in negotiating the statutes endorsed the assessment of Mr Karl Otto Pöhl, the Bundesbank president and chairman of the EC central bankers' committee, that agreement had been reached on nearly all the bank's basic principles. But the statutes also contain many gaps and some inconsistencies.

One important point, the eventual site of the proposed bank, has been left open deliberately for EC leaders to decide.

However, other more technical issues are unresolved, either because the 12 EC central bank governors ran out of time on Tuesday or because of differences among the 12.

The unresolved points include:

● How responsibilities should be shared between the bank's six strong executive board and the 18 strong council, comprised of the board and the EC's 12 national central bank governors.

Germany is seeking to have monetary policy decisions over interest rates, money supply growth or the use of exchange reserves concentrated in an executive board of career central bankers. Other countries favour giving national central banks a greater say.

● The European bank's external policy. Difficulties here include how far national foreign exchange reserves should be pooled, with some countries arguing for a large pool of reserves would give the central bank credibility and others saying this will not be necessary. A further complication arises because reserves in some countries, such as Germany and Belgium, are owned by the national banks while in others, such as Britain, they are owned by the Treasury.

● The bank's capital and profits. There was no accord on the size of the bank's capital, how it should be shared among the member states and how the bank's income should be distributed among member states. This could become a

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Increasing opposition to Bulgarian le

BULGARIA'S political crisis deepened yesterday as the governing Socialists revealed that the party leader faces growing opposition from reformers, including Andrei Lukanov, the prime minister, AP reports from Sofia.

Mr Lukanov's crippled government has proposed massive price rises on basic foodstuffs, including bread, sugar, cooking oil and meat. Many of these items are already rationed or scarce.

The Socialist Party daily newspaper Duma yesterday reported details – for the first time ever – of a meeting of the party leadership, exposing an escalating power struggle between reformers and the old guard.

Duma's chief editor, Mr Stefan Prodev, a prominent member of the party's Supreme Council, said he would resign, in view of the party's disarray.

The Socialist Party, which won free elections in June, is the former Communist Party. It is steadily losing support because of the Socialist government's inability to solve the country's deepening economic and political crisis.

Mr Lukanov, who has grown increasingly impatient with his party and the parliamentary opposition for their inability to agree on his program of economic reform, could soon face a vote of no confidence in Parliament from the opposition.

Both the governing party and the opposition Union of Democratic Forces are plagued by deep divisions.

The two main forces in Parliament are at odds over whether to form a coalition government to push through badly needed economic reform.

Two overnight marathon sessions of the Socialist Party's Supreme Council last week and Monday discussed a letter sharply attacking the leadership and the party chief Mr Alexander Lilov in particular, Duma said. The critical letter "proposed" that Mr Lilov resign.

The letter was signed by 16 reformers, including a two-thirds majority in the 13-member presidency of the Supreme Council. The signatories included Lukanov and Lilov's first deputy and most likely successor Mr Alexander Tomov.

Mr Lilov became party leader earlier this year. He served as chief ideologist under deposed Communist dictator Todor Zhivkov, but was ousted by him in 1983.

Mr Lukanov clearly distanced himself from Mr Lilov by signing the letter. He was

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Spanish inflation up one percentage point

By Peter Bruce in Madrid

A 10-DAY truckers strike and rising oil prices helped to push inflation in Spain up by almost a full percentage point in October, the government announced yesterday.

This brought year-on-year inflation to 7 per cent and accumulated price rises this year to 6.4 per cent.

The government had been hoping to end the year on an inflation rate of just under 7 per cent. It may still do so, although the Gulf situation makes that impossible to predict.

Petrol prices have begun to fall this month and officials were at pains yesterday to point out that underlying inflation rose by just 0.5 points in October. This puts it at its lowest level for 22 months, they said.

Increasing signs that the economy is finally reacting to monetary measures designed to cool it down have also come with an October rise in unemployment of 44,476. This is the third monthly rise in succession and brings the total percentage of Italy's jobless to 15.64.

The Bank of Spain, nevertheless, is warning in its latest quarterly report that unemployment will continue to rise unless wage demands moderate.

It forecasts average inflation of 6.7 per cent for the year and a rise of 7.8 per cent in unit labour costs.

The bank says Spain's current account deficit will rise to around 3.5 per cent of gross domestic product this year from 2.7 per cent in 1989.

Plan to open up satellite sector in EC

By Lucy Kellaway in Brussels

THE European Commission yesterday proposed a break-up of state monopolies in Europe's highly regulated satellite communications market.

The plans will clear the way for an important expansion in the satellite television industry.

It will allow private companies to set up communications networks such as audio-visual and data links, Commission officials said.

Proposals on deregulation and standardisation will, furthermore, allow companies in the EC to manufacture satellites at close to half the current cost.

Such proposals would reduce the price of household receiver dishes such as the ones used for satellite television, the officials said.

European manufacturers now supply only 20 per cent of the $7bn global market for satellite equipment.

Phone-call routing will be the only service left under the state monopoly control if the Twelve governments approve the set of proposals in a green policy paper presented by the telecommunications commissioner, Mr Filippo Maria Pandolfi.

But they are far from united in support of the liberal plans. Although The Netherlands was moving towards the liberal approach of Britain and Germany, France and Belgium lead the opposition.

Both countries fear that the plan will strip too much power from state telecommunications monopolies.

Ministers are expected to begin talks on the issue in early December.

Companies spell out their objections to VAT plans

By Lucy Kellaway in Brussels

EUROPEAN companies claim Brussels' plans for collecting value added tax after 1992 will increase costs, will be a clumsy tool for checking tax returns, and will result in an unnecessary flood of information that will clog up tax offices.

Unice, the European employers' union representing the biggest companies in the EC, has written to Mr Rino Formica, Italy's finance minister and president of the Council for financial affairs, protesting at the plans and urging a more flexible approach.

Unice is particularly upset about the mandatory quarterly lists of exports per product and per customer that big companies would have to fill out. Such a requirement, it says, runs against the very objectives of the single market, which are to reduce the burden of costs on companies doing cross-border business.

The problem how to collect VAT once frontiers have been abolished has proved one of the most difficult in the single market programme. If agreement is not reached soon, the end 1992 deadline for removing frontiers will be missed.

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GKN heads for £200m UAE deal

By David White in Jeddah

GKN, the British engineering group, is negotiating to supply several hundred Warrior combat vehicles to the United Arab Emirates in a deal that could be worth at least £200m.

The contracts, if won by GKN, would be the first export of the tracked infantry vehicle, which is already in British army service and is among the equipment sent with UK troops to Saudi Arabia.

It would compensate for the British government's plans to slow the rate of its Warrior purchases as an economy measure.

The British army is buying a total of about 1,000 Warriors. Competition for the UAE contract includes the Soviet BMP vehicle.

GKN is also believed to be discussing sales of a specially adapted desert-fighting vehicle to Oman and Jordan. The UAE, however, is interested in the same vehicle as that supplied to the British army of the Rhine.

General Dynamics of the US is favoured to win another major UAE arms contract for main battle tanks. The UAE, which before Iraq's invasion of Kuwait was also the target of Iraqi threats over oil production policy, has been taking steps to bolster its armed forces.

US aims to end Uruguay impasse

By Peter Riddell, US Editor, in Washington

THE US intends to intensify its efforts to break the current stalemate in the Uruguay Round trade talks as President George Bush begins a series of meetings with European heads of government.

Mr Bush held talks late on Tuesday at the White House with Mr Giulio Andreotti, the Italian prime minister and president of the European council of ministers, and with Mr Jacques Delors, the European Commission president.

The White House said "it was agreed that renewed efforts at top political levels would be made so as to achieve the common ground on the issue of agricultural subsidies, which is needed to move beyond the present impasse in the Gatt negotiations".

The Bush administration has rejected the option of walking out of the negotiations because of its dissatisfaction with the EC proposals on farm subsidies.

Instead, there will be a concerted campaign to seek a compromise with a top US team, headed by Mr James Baker, the Secretary of State, due in Brussels for talks tomorrow. Mr Bush himself will meet German Chancellor Helmut Kohl on Sunday and other EC heads of government in Paris over the following three days as he attends the 34-nation Conference on Security and Co-operation in Europe.

There has been increasing gloom in Washington about the outcome for the talks, as well as warnings from Congressional leaders about the difficulty of winning the necessary Senate approval for any package unless there is a substantial cut in farm subsidies.

Moreover, any extension of the talks beyond the end of this year risks unravelling the "fast-track" authority under which authorising legislation is voted on without amendment before next June.

Dissension 'will further hit EC-US trade'

By Nancy Dunne in Washington

US OFFICIALS say an escalating US-EC dispute over meat inspection symbolises the future of bilateral trade torn by dissension if the two sides cannot come to agreement in the Uruguay Round over farm trade reform.

Mr Clayton Yeutter, US agriculture secretary, and Mr Ray MacSharry, EC agriculture commissioner, have agreed to take time during tomorrow's US-EC ministerial meeting to discuss the EC's banning of American pork imports and its threatened ban on US meat sales. Mr Yeutter last week called the row "an irritant in the negotiating environment that. . . we certainly could have done without".

As in the past, the dispute centres on US claims products are being banned under the guise of health and safety protection when the true purpose is to protect EC producers from import competition. If the US prevails in the Uruguay Round, this sort of dispute would be handled under special rules needing a scientific basis for such embargoes.

As at October 31, US pork from plants once considered eligible for admission to the EC has been banned. The few US beef exports remaining after institution of the embargo against cattle fed with hormones, will themselves be embargoed starting January 1. These actions effectively force all US fresh meat products out of the EC market except horse and sheep meat.

The US has begun talks under Gatt over the issue, with plans to seek a dispute settlement panel later. US Agriculture Department inspectors have been sent to the EC to find grounds for US retaliation. At stake is $400m (£206m) worth of EC meat exports a year. The National Pork Producers Council, backed by several congressmen and senators, has demanded immediate retaliation under Section 301 of the 1974 Trade Act.

● Tim Dickson adds from Brussels: While EC officials insist genuine health concerns inspired the ban, both the EC beef and pork markets are in a distressed state. EC beef stocks have jumped this year to 450,000 tonnes, because of consumer fears over BSE, disruption of Middle Eastern export markets, and imports from eastern Germany.

Pork prices are depressed, touching Ecu 117 per 100kgs last week, or 62 per cent of the so-called "basic" price considered a target by EC policymakers. The EC does not operate a guaranteed buying-in system in the sector, but through export refunds helps producers sell on world markets. EC pigmeat exports last year totalled 487,000 tonnes, against 137,000 tonnes imported from non-EC sources in that time.

Washington spotlights decline in Europe's farming population

By Tim Dickson in Brussels

THE US yesterday highlighted the long-term decline in Europe's farming population in a new propaganda salvo aimed at the trade talks under the General Agreement on Tariffs and Trade (Gatt).

US officials said they were trying to show that the prospect of reduced numbers in EC agriculture has less to do with the subsidy cuts proposed in the Uruguay Round than with fundamental demographic changes affecting all industrialised countries.

Using mostly official EC statistics, they point out in a paper that, largely due to technological advances and production efficiencies, the exodus from Community agriculture was 34 per cent in the 1960s, and 25 per cent in the 1980s. The EC's single market exercise would lead to greater consolidation in the sector.

Not surprisingly, the US paper is disdainful of "costly, production-based subsidy programmes". But it provides strong support for the sort of alternative measures, "already in effect, and either currently budgeted for, or anticipated to be funded in the immediate future", which seek to address "in a non-distortive way many of the needs of an ageing farm population that is dominated by part-time farmers with small operations".

Separately, US officials in Brussels insisted that despite difficulties, the farm reform negotiations had not broken down. Asked whether the US would pull out before early December if no progress had been made, one replied: "I would advise strongly against that. You soldier on even if the prospects are unpromising, though I don't think there is any reason to abandon hope. I don't think Washington will be the first to walk away."

Storm grows on EC farm offer

DEVELOPING countries have started to join criticism of the EC's proposals on world farm reform, William Dullforce reports from Geneva. According to an assessment circulating among them, the EC offer should please governments aiming to keep preferential access to the EC market or maintain EC subsidies on their food imports.

Countries belonging to the food security lobby would be no worse off, but others "would perhaps be better off with no offer from the EC". The assessment dismisses the EC's proposals on border protection and export subsidies as offering "obscure changes in its calculations of domestic and world price differentials".

Brussels' offer to cut internal farm supports 30 per cent relates only to main commodities such as cereals, rice, sugar and meat, the assessment notes. For other products, a 10 per cent cut is proposed.

By choosing 1986 as the base year from which the cuts will be calculated instead of 1988 as suggested in the talks, the EC has ensured that in some cases the effective cut would be less than 30 per cent or 10 per cent. The 30 per cent cut proposed in support for sugar beet adds up to only a 22 per cent reduction from a base year of 1988 or 19 per cent from the 1990 support level, the assessment states.

The EC's "re-balancing" concept, where it would be allowed to introduce tariff quotas on imports of oilseeds and non-grain foodstuffs, is seen as a bid to "plug the biggest hole in the Common Agricultural Policy's protective shield".

Taiwan rewrites Gatt memo

DRASTIC changes in Taiwan's economy have prompted Taipei to re-write the memorandum on its trading system it submitted when it applied to join the General Agreement on Tariffs and Trade (Gatt) on January 1, Peter Wickenden reports from Taipei.

Mr Chiang Bing Kun, vice-economics minister, said recently the memorandum forms the basis for negotiations on entering Gatt. But Taiwan's economy had slumped in the past 10 months, export growth and production declined, outward investments increased, costs had risen and the environmental lobby had grown stronger.

Moreover, import duties had been cut, import procedures streamlined and restrictions on imports of farm goods been eased. Thus, it was necessary to revise the trade memorandum. There was no reason why a major trading nation such as Taiwan could not be a Gatt member.

The revised memorandum is to be submitted by the end of the year.

Business returns after Tiananmen

Lynne Curry finds that time has dulled the shock felt by western companies at events in Peking

SEVENTEEN months after the crackdown on the pro-democracy movement in Tiananmen Square, western companies have renewed interest in doing business in China.

While not on the same scale as before June last year, a revived flow of corporate executives, traders, and officials to China is reported by diplomats and western businessmen.

"Many who had put business decisions on hold due to the political shock and economic retrenchment are now trying to pick up again," said Mr Martin Weil, of the US-China Business Council. "The passage of time has dulled the political shock of June 4."

Several contracts have been concluded in recent months. They include investments by the US companies Dupont, the chemicals group, Pizza Hut, the fast food franchise owned by Pepsi-Cola, IBM, the computer company, and Amoco Chemical. Other deals are close to being finalised.

Last spring Dupont established a joint venture in Shanghai to manufacture rice herbicides. Located in Pudong, a suburb of Shanghai which the Chinese are trying to promote as a development zone, the project was the first involving foreign participation in the area.

Pizza Hut recently started a joint venture in Peking with an overseas-Chinese businessman from Thailand.

In Tianjin, after nearly five years of negotiating about various projects, IBM has also established a small joint venture to manufacture personal computers in what is IBM's first production joint venture outside the US.

Motorola is also believed to be close to finalising a project with the Chinese to produce integrated circuits and communication equipment in Tianjin.

Several months ago, Amoco Chemical announced it had agreed to participate in a joint venture near Yangzhou in Jiangsu province to manufacture chemical fibres.

In recent months, Canadian companies have signed US$60m worth of business to sell flight simulators and equipment in the petrochemical, water, and telecommunications sector.

"The Canadian soft loans were never suspended," one diplomat said. "They increased their business on the back of their soft loan policy."

Believing they could lose to competitors (including those from Hong Kong and Taiwan), various European Community countries are also pushing to improve their commercial relations as well, western diplomats said. Spain, Britain and Italy are seeking greater commercial contacts with China. The Spaniards, in particular, have large amounts of undispersed soft credits for China, diplomats said.

EC countries meeting in Luxembourg last month agreed to lift some of the sanctions they imposed at a meeting in Madrid last year after the Tiananmen crackdown. High-level contacts and official loans are to be resumed but the embargo on military sales and co-operation is to remain in force. At the end of last month, the World Bank, which had held off all but humanitarian aid to China, agreed a loan of $275m for agricultural projects.

"Countries which were never part of the Madrid declaration continued to lend to China," one western diplomat said.

While the Madrid declaration did not prevent companies from doing deals on commercial terms, it did stop government-backed commercial agreements and it ruled out new projects. The definition of new projects varies from country to country.

The Australians have stepped up their exports of coking coal while barley sales (for making beer) have soared more than 30-fold. Gove Alumina signed the first Australian long-term agreement to supply alumina to China since the crackdown.

In addition, they and the Chinese have established a gold exploration joint venture in Australia. They have also established smaller joint projects in China since last year. And they have signed a new $50m export credit agreement with the Bank of China for disbursement to domestic Chinese companies who plan to purchase Australian equipment and technology.

The Japanese have stepped up their financing since the leaders of the Group of Seven countries met for an economic summit last year in Houston. They have recently agreed to sign a soft yen loan package, their third, for about Y810bn (£3.3bn) to finance 17 projects through 1995.

All this comes at a time when China is seeking to regain some of the respectability it lost last year. It has supported all the UN Security Council resolutions condemning the Iraqi invasion of Kuwait.

The renewed business is qualitatively different from that before June 1989. More deals are being done on a smaller scale, as foreign businessmen have adopted a more cautious approach. That seems likely to be the pattern at least until the question of who will succeed Deng Xiaoping, the octogenarian patriarch, is settled.

AMERICAN NEWS

Empty shell of El Salvador's democracy

Tim Coone examines the possibility of a peaceful solution to the 11-year-old civil war

IN San Salvador, a glass-faced building known as Democracy Tower symbolises the fate of this war-torn country. The building still bears the scars of last November's offensive by guerrillas belonging to the left-wing Faribundo Marti (FMLN).

Shattered windows have been patched with plywood and cardboard. Bullet holes pepper the tinted glass.

As dusk falls, the only lights emanating from the building are reflections from car headlights. It is an empty shell. Like El Salvador's democracy, its outward appearance masks its lack of substance.

One year ago, just a few hundred metres away, six Jesuit priests, one of them rector of the Central American University, were dragged from their beds by troops of the elite, US-trained Atlacatl battalion. The priests were then shot at point-blank range with automatic rifles.

Their housekeeper and her 15-year old daughter shared the same fate. Shortly before their murder, the priests were accused on pro-government radio stations of being subversives. Their crime was to have spoken out in favour of a negotiated peace to the 11-year civil war and a clean-up of the armed forces.

Nonetheless, peace in El Salvador is tantalisingly close. A significant electoral reform has been negotiated by the *interpartidaria*, a forum of political parties. This should be implemented in time for parliamentary elections next March.

The changes will greatly improve the chances of smaller parties winning greater political representation. Judicial reform is also in the pipeline. A litmus test of any change will be whether those responsible for the deaths of the Jesuits are brought to justice.

The head of the Jesuit order in San Salvador, Father Jose Tojeira, recently accused the government of stonewalling the investigation.

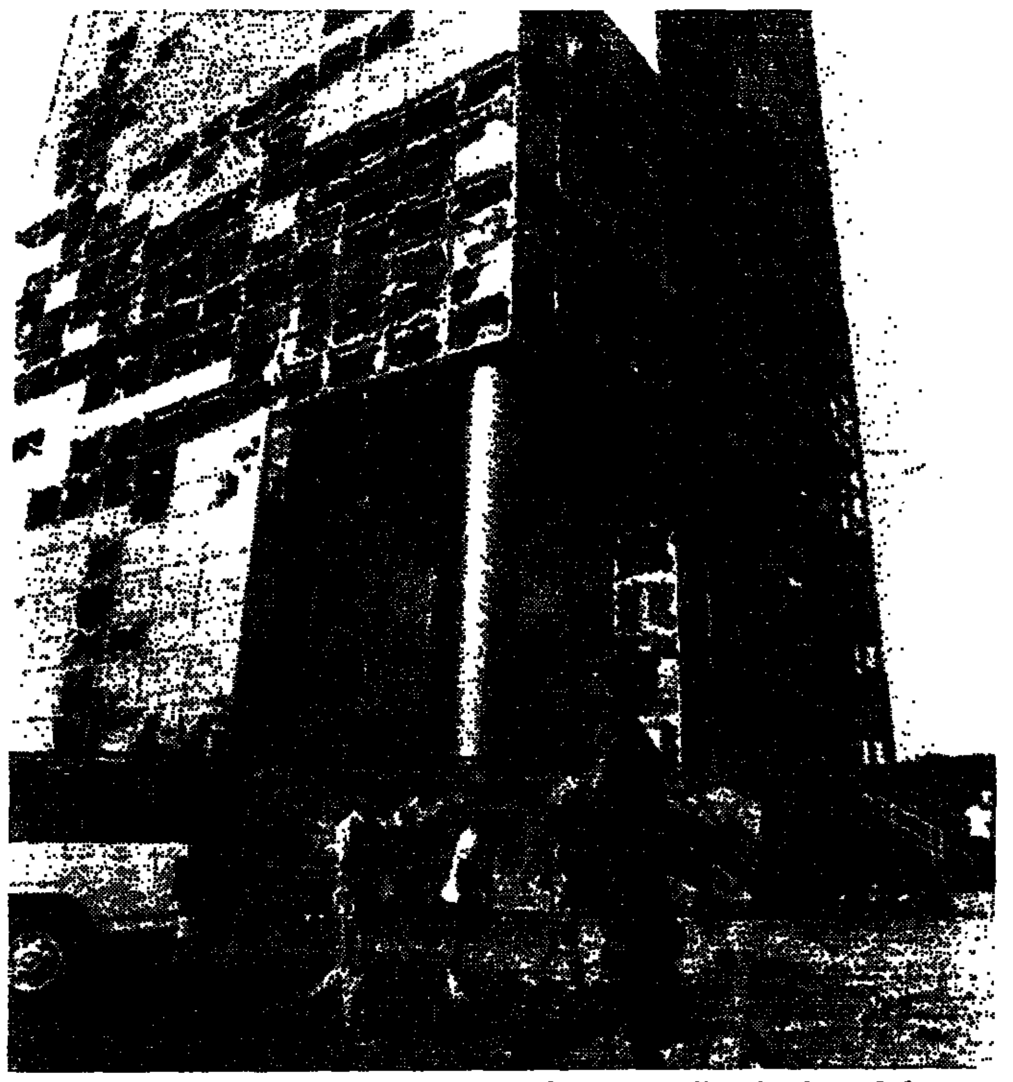
The principal obstacle remains the army. For the FMLN, armed forces reform, demilitarisation and the bringing to justice of human rights offenders are the key issues without which there can be no political settlement.

The government is telling the FMLN first to lay down its weapons and to fight by means of the ballot box. In return the administration promises reform.

The FMLN response is: "If priests can be killed with impunity, what fate can await unarmed FMLN politicians?" There lies the impasse.

The FMLN is not alone in its views. The Catholic church, with all political parties except the ruling Arena party, supports the notion that reform of the army is the key to peace.

Even the US Congress is exasperated by El Salvador's military. A congressional vote recently halved US military aid to El Salvador, pending a satisfactory outcome to the Jesuit murder investigation.



Democracy Tower in San Salvador: its empty shell renders it an ironic symbol

A recent congressional fact-finding mission to El Salvador produced damning evidence of senior officers' neglect of human rights. According to the resulting report: "Serious questions are therefore raised as to whether the officer corps has either been above the law... or has shown serious problems of competence in failing to halt [abuses]."

All the army's senior command posts, including that of minister of defence, are held by officers from the so-called *tandona* – the officers' school graduation class of 1966.

Like a masonic lodge they swear unswerving loyalty, which, says the congressional report, "in some instances exceeds not only loyalty to the law and the president, but to the armed forces as a whole".

Mr Ruben Zamora, a social democrat leader and member of the *interpartidaria* said: "The issue is now whether the armed forces are prepared to negotiate a purge or are they not? That has to be clarified." The implication is that if they are not, another FMLN military offensive is inevitable.

Meanwhile, the *tandona* seems to be sitting tight under its leader, Colonel Rene Ponce, the defence minister.

Western diplomats agree that the FMLN has the capability, the arms, and the manpower to launch another offensive as large and as dramatic as last November's. The major difference is that the guerrillas are now thought to have portable missiles capable of shooting down helicopters and jets.

The government's airpower was decisive in breaking the last offensive. It may not be able to next time.

WHAT, then, is holding the FMLN back? One factor is that a new offensive would automatically restore the $43m in US military aid presently being withheld by Congress. It might also reinforce the intransigence of the *tandona*. The cut in US aid has dealt a demoralising blow to the army's leadership and weakened its negotiating strength.

The FMLN has apparently ruled out another large-scale attack on the capital in order to minimise civilian casualties and possible negative political repercussions.

Possibly the most important factor is that FMLN negotiators may sense the possibility of a breakthrough in peace talks. President Cristiani may be about to announce important findings in the Jesuit murder investigation.

More than 300 sworn testimonies have so far been taken. The first anniversary of the incident is on November 16, by which time some announcement is expected.

The grip of the *tandona* on the nation's fate may be coming to an end. If so, major FMLN concessions could follow. The recent decision to bar all press contact with the government and FMLN delegations in the latest talks taking place in Mexico suggests that something may be afoot. The alternative is further war.

Thus, for the Salvadorean public, expectations of peace and war are balanced. Life bustles on as normal. The economy is expected to grow by 4 per cent in 1990, although a new guerrilla offensive would shatter that projection.

Meanwhile, like a silent observer to unfolding events, Democracy Tower stares out over the capital. All it needs now is occupants.

Weak US retail sales confirm fading confidence

By **Michael Prowse** in Washington

US RETAIL sales crept 0.1 per cent higher in October, confirming earlier reports of ebbing consumer and business confidence.

The figures, reported by the Commerce Department yesterday, do not allow for inflation, which is running at about ½ per cent a month. They were also artificially boosted by the high cost of petrol in the wake of the Gulf crisis, and distortions in the car market.

Excluding petrol and cars, retail sales dropped 0.4 per cent; adjusting for inflation the real decline was probably nearer 1 per cent.

The figures, in line with market expectations, follow dismal sales data from leading US department stores. Sears, Roebuck and JC Penney reported October sales declines of 1.2 per cent and 4.9 per cent respectively.

The data also follow a string of figures indicating the US economy may be slipping into recession. This includes a fall of 68,000 in payroll employment last month and a 0.8 per cent drop in industrial production.

Among other distortions, recent petrol price rises caused a 3.2 per cent increase in service station sales in October; sales were up nearly a quarter from the same period last year. Car sales advanced 0.7 per cent mainly because of large fleet sales to rental companies and the introduction of 1991 models.

Few analysts expect continued strength – General Motors and Ford recently laid off 57,000 workers.

Excluding petrol and cars the picture was mostly gloomy. Department store sales were down 0.6 per cent, food stores fell 0.5 per cent and apparel and accessories slipped by 1 per cent.

● **Peter Norman, Economics Correspondent, adds:** President George Bush's top economic adviser said yesterday the US administration was braced for a mild recession this winter, which had been brought on in part by the fragile state of the nation's financial system.

Mr Michael Boskin, chairman of the US council of economic advisers, said: "The evidence has been that the US economy is likely to be more sluggish, perhaps even with a temporary slide into *negative territory* in the fourth quarter."

He added that forecasts carried out for the recent US budget agreement presupposed a slowdown in late 1990 and 1991. That would be "consistent with either narrowly skirting negative territory and a shallow recovery or a one or two quarter dip into negative territory and a slightly faster recovery". The administration would have more up-to-date forecasts of economic developments in a month's time.

Mr Boskin said the fragile state of the US financial system, although greatly exaggerated by many commentators, had cost the US some growth. Banks seeking to strengthen their capital ratios were doing so by curbing their lending.

Greens freeze out tenuous accord on Antarctica

Leslie Crawford explains why a gentlemen's agreement on mining does not satisfy environmentalists

PRESSURE from environmental groups around the world has ensured that the future of the frozen continent of Antarctica has become the focus of debate so heated that the 39 signatories of the Antarctic Treaty have split into two opposing camps.

Should Antarctica become an internationally protected world park or should the last virgin continent on earth be opened to commercial exploitation? This is the dilemma that will confront the guardians of the Antarctic Treaty System during a three-week meeting which begins in Chile on Monday.

Australia and France are leading a campaign to transform Antarctica into a world park and, with the upsurge in international concern over environmental issues, they are rapidly gaining converts. Greenpeace, for example, has collected over 1m signatures around the globe in support of the world park proposal.

An Antarctic world park would be protected by a convention of environmental safeguards which would regulate all aspects of human activity on the continent. It would also forbid the exploitation of Antarctica's hidden treasure of oil and mineral resources.

This is where the disagreements set in. For while all parties to the Antarctic Treaty are in favour of protecting Antarctica's fragile ecosystem, some countries are reluctant to see an outright ban on mining.

"We want a pollution-free Antarctica but we also want a useful Antarctica, not a frozen museum protected under a glass case," says Chilean roving ambassador Mr Oscar *Pinochet de la Barra*.

The rift became public when Australia unexpectedly announced in May last year that it would not sign an Antarctic minerals convention. The decision was all the more surprising because Australia had been an active participant in drafting the document which had been seven years in the making. The convention essentially forbids any mineral exploration or development without the agreement of all treaty participants. But environmental groups were alarmed at an accord that recognised even the possibility of oil drilling.

Mr Gareth Evans, Australia's foreign minister, said of his country's change of heart: "Our fear is that Antarctic environmental protection would suffer in any trial of strength with mining. The only prudent response... is to remove altogether the option of mining which the minerals convention left open." Mr Evans recognises that pressure groups such as Greenpeace and the Australian Conservation Foundation played a big role in influencing his government.

Mr Michel Rocard, the French prime minister, was similarly swayed by a special report on Antarctica prepared by the Cousteau Foundation. In August 1989 he also announced that France would not be signing the minerals convention.

Some countries have gone further. Belgium, one of the original signatories of the 1961 Antarctic Treaty, passed a law in June 1989 which forbids any Belgian person or company from engaging in mineral activities in the Antarctic. Similar legislation is being debated in the New Zealand and Australian parliaments and in the French National Assembly.

Britain, Chile and the US, the strongest supporters of a minerals convention, are alarmed at the disarray within the Antarctic Treaty ranks.

"These unilateral decisions run contrary to the spirit of the Antarctic Treaty, where everything was decided by consensus," said Mr Pinochet de la Barra. "It has fragmented the unity of the Treaty and risks making it redundant." Supporters of the minerals convention say that having a set of rules to regulate mining is better than having no rules at all. At present there is only an informal gentlemen's agreement among treaty members to refrain from exploration.

But such a tenuous accord could easily break down if the western world's oil supplies were threatened. "The current Gulf crisis is not accidental," Mr Pinochet de la Barra said. He believes the struggle for control over the world's oil resources will intensify in the future and that someday there may be pressure to drill for oil in the Antarctic. The minerals convention sought to have rules in effect before this happened.

Even though mineral exploitation of the Antarctic is still in the realms of science fiction Britain and Chile argue that an outright ban on mining would destabilise a 29-year-old treaty that is held as a model of international co-operation.

"The Cold War melted in Antarctica long before Washington or Moscow felt the thaw," one diplomat said. The Antarctic Treaty froze all territorial claims and established the world's first international peace zone. Military installations, nuclear tests and the dumping of radioactive wastes are forbidden. The treaty was also instrumental in promoting research and the free exchange of scientific information.

Because no country wants to see the treaty unravel over the mining issue, a search is now on for an acceptable compromise. One possible solution which will be discussed at the meeting in Viña del Mar is a long-term moratorium on mining activities. Australia and France have indicated that they would be prepared to accept a 30-year moratorium.

This solution is unlikely to satisfy environmental groups, who say a moratorium would only unleash a race to develop the necessary technology. "It would be a free-for-all the minute the moratorium expired," said Mr Jose Yañez of the Chilean ecologist group Codeff. Greenpeace and other groups will be lobbying the conference delegations to adopt a set of legally-binding measures to protect "the last great wilderness on earth".

Their opinion is one that Antarctic Treaty members can no longer ignore. The white continent's affairs may once have been run by an exclusive club of diplomats and scientists, but they are aware that they are now accountable to an increasingly wider audience.

US, EC agree on talks accord

By **Peter Riddell**, US Editor, in Washington

US AND European Community leaders have removed the main remaining obstacles to issuing a declaration of principles intended to strengthen joint consultation.

The declaration will be issued when President George Bush and EC heads of government are in Paris early next week for the 34-nation Conference on Security and Co-operation in Europe.

Following a meeting late on Tuesday with Mr Bush at the White House, Mr Giulio Andreotti, the Italian prime minister and current EC president, said the two leaders had "worked out the draft, the wording of the declaration of the relationship between the EC and the US".

Mr Jacques Delors, the Commission president, was holding meetings in Washington yesterday aimed at finalising the document.

The White House said a US-EC declaration of principles "would further institutionalise the already extensive US-EC consultations that exist on most issues of common interest". This puts on a formal *footing the recently increased* series of meetings between the US president, his senior officials, EC ministers and Commission members.

The main problems with drafting a declaration have been over references to the now-stalled Uruguay Round trade talks and to security issues, such as the position of Nato.

The consequent friction – and vagueness of the final declaration – has raised questions as to whether the exercise has been worthwhile. One western diplomat said the document was like "the type of friendship treaty which East Germany used to sign with Cuba".

Mr James Baker, US secretary of state, has been backing the declaration as a means to ensure a continuing US voice in Europe, especially as Nato, until now the main transatlantic bond, faces an uncertain future with the Cold War's end.

Argentina and Brazil may back nuclear checks

ARGENTINA and Brazil are to sign a series of protocols which may open the way for inspection of nuclear installations by the International Atomic Energy Agency, writes John Barham in Buenos Aires.

The protocols could also allow future ratification of the 1967 Tlatelolco Treaty, which established a nuclear weapon free zone in Latin America.

The heads of the two countries' atomic energy commissions are to sign the protocols on Friday of next week. The next day presidents Carlos Menem of Argentina and Fernando Collor de Mello of Brazil will sign a bilateral nuclear co-operation agreement.

Victory for Menem as union quits confederation

By **John Barham** in Buenos Aires

PRESIDENT Carlos Menem has won another victory over Argentina's dissident trade unions with the decision by a big union to abandon an anti-government labour confederation shortly before a planned demonstration against government policies.

Mr Lorenzo Miguel, leader of the 300,000-strong Unión Obrera Metalúrgica (UOM), took the decision after a long round of meetings on Tuesday to discuss a day of protest, planned for today. Mr Miguel, the grand old man of Peronist trade unionism, said: "There cannot be an attitude of confrontation all the time. This is a Peronist government and, furthermore, the government has opened channels of dialogue."

At a meeting with union leaders last Friday, Mr Menem offered government recognition of the opposition CGT-Azopardo labour confederation, participation by opposition unions *in government decision-making and a share in federal* welfare funds. But Mr Saúl Ubaldini, CGT-Azopardo leader, rejected the offer.

The loss of the influential and prestigious UOM leaves Mr Ubaldini even more isolated, as most unions support the government's free-market policies.

Milken sentencing delayed

By **Nikki Tait** in New York

SENTENCING of Mr Michael Milken, former head of the high-yield department at Drexel Burnham Lambert, the failed US investment house, has been delayed and will not now take place this week.

No new date has been set, although Judge Kimba Wood's chambers stressed yesterday that the delay merely reflected her other commitments.

Mr Milken has pleaded guilty to six charges related to securities law offences and agreed to pay $600m in fines and restitution. His sentencing, however, *has already been held up by a* hearing which examined a series of broader allegations levelled by the government.

Mr Milken told the judge in an emotional plea for leniency made public yesterday that he "never sought notoriety" and was afraid of going to prison.

INTERNATIONAL NEWS

HK to curb tax breaks on aircraft leasing

By John Elliott in Hong Kong

HONG KONG yesterday announced plans to clamp down on tax benefits allowed through depreciation allowances on aircraft and ship leasing. The rules will affect deals struck from today and they could give Hong Kong a stricter cross-border leasing regime than Japan and some other countries.

The authorities estimate that this year's benefits could lead to as much as HK$1bn (£65m) tax revenue being deferred for up to 10-15 years or more.

This would amount to 5.5 per cent of its expected HK$18bn profits tax intake this year and Sir Piers Jacobs, the finance secretary, said yesterday that such levels of deferred tax "cannot be tolerated".

The government has allowed use of the concessions, which are mainly used for aircraft leveraged lease transactions, to build up over the past four or five years because they have helped Hong Kong to present itself as a major centre for aircraft financing.

Sir Piers said that amendments would be introduced to the colony's Inland Revenue Ordinance to ensure that "foreign operators" did not get the benefit of depreciation allowances. Rules on tax concessions available to limited partnerships would be tightened.

Businesses which could be hit hardest, in addition to airlines and leasing companies, are corporations like Hongkong Telecommunications, part of Cable & Wireless, and various banks and consortia of local property companies.

Such groups gain substantial tax deferrals by owning aircraft through limited partnerships.

Companies and banks were not prepared to comment yesterday.

The government plans to restrict the tax concessions to Hongkong operators – for example Cathay Pacific Airways rather than United Airlines and American Airlines which have also leased Hongkong Telecom aircraft.

●THE MIDDLE EAST

Prospects fade for Arab summit

By Victor Mallet, Middle East Correspondent

PROSPECTS for an Arab summit to discuss the Gulf crisis faded yesterday when Saudi Arabia and Iraq attached diametrically opposed conditions to any such meeting.

Prince Saud al-Faisal, the Saudi foreign minister, said a gathering would be fruitless unless Iraq agreed to abide by international and Arab League resolutions calling for an Iraqi withdrawal from Kuwait.

The Middle East has been humming with diplomatic activity since King Hassan of Morocco proposed a summit as a "last chance" to avert war. President Mubarak of Egypt was due to arrive in Syria yesterday after a trip to Libya.

Differences between Iraq and its Arab enemies in the Gulf hinge on the previous Arab summit in Cairo in August, when 12 of the 21 League members demanded an Iraqi withdrawal and agreed to send Arab troops to defend Saudi Arabia.

Prince Saud, speaking during a surprise visit to the United Arab Emirates, said: "It is necessary for Iraq to announce its agreement on the Cairo summit decisions and (UN) resolutions." But Mr Taha Yassin Ramadan, the Iraqi first deputy prime minister sent to Morocco by President Saddam Hussein, said the proposed meeting should "wipe off the resolutions of the infamous Cairo summit".

The two camps also differ on the issue of "linkage". Mr Saddam wants a solution to the Gulf crisis to be linked to the Arab-Israeli conflict, but the Gulf states want him to withdraw from Kuwait unconditionally, immediately, and completely, leaving the Palestinian problem until later.

President Saddam, meanwhile, has removed his relative Mr Ali Hassan al-Majid as governor of Kuwait and replaced him with Mr Aziz Saleh al-Nouma, another senior Baath party official.

It is thought that Mr al-Majid far from being discredited, will return to his job as minister of local government after ruthlessly suppressing the Kuwaiti resistance.

He was governor of Kurdistan when Iraqi forces used poisoned gas to kill hundreds of people in Halabja during the Gulf war in 1988.

Italy's former premier joins hostage bid

SENATOR Amintore Fanfani, the 82-year-old former Italian prime minister, looks set to join the list of retired European political thoroughbreds who have visited Baghdad this autumn to secure the release of hostages, John Wyles reports from Rome.

Having received an appeal from the families of the 300 or so Italians being held in Iraq, Mr Fanfani has said he is ready to carry their appeal to President Saddam Hussein.

The Italian government, in the shape of Mr Claudio Lenoci, an under-secretary at the Foreign Ministry, has stated that it will not put any obstacles in the senator's way.

This stance is bound to cause some grumbling among Italy's European Community partners as it marks a further breach of last month's Rome summit that the Twelve would not send official emissaries to Baghdad to plead for hostages.

But it has become increasingly difficult to hold the line after the recent mission by Mr Willy Brandt, the former West German chancellor, achieved the release of 17 Italians and passed off without opposition from Bonn.

Active campaigning by hostages and families have led many ministers to wish Mr Fanfani every success.

Israel's tourist boom turns to bust

Efrat Shvily on the effect recent events have had on a vital industry

THIS YEAR began as one of recovery for Israeli tourism, which had seen a two-year slump because of the Palestinian uprising.

But by the end of October only two tourists sat by the pool of Tel Aviv's four-star Dan Panorama. Sixty of the 112 rooms stood vacant, underlining what is now openly admitted to be Israel's worst tourism crisis.

Visitor entries to the end of June totalled 641,200, 10 per cent higher than in 1989. But Saddam Hussein's invasion of Kuwait on August 2, his repeated threats to attack Israel and an associated rise in travel costs led to a 21 per cent drop in September visitors compared with the previous year.

October figures showed a drop of at least 43 per cent.

With economic pressure building over the problem of absorbing thousands of Soviet Jewish immigrants, tourism was seen as a mainstay of development.

A vital source of foreign currency to help offset rising import bills, tourism last year earned $1.8bn – against industrial exports of $7bn – and provided a living for some 60,000 households.

For as long as the Gulf crisis continues, however – 3,000 hotel employees have been dismissed in the past three months – tourism will be an economic problem, not a solution. On October 1, the government announced mass distribution of gas masks to counter fears of an Iraqi chemical attack.

On October 8, 18 Palestinians were shot dead in riots on Jerusalem's Temple Mount. On the same day, the US State Department warned Americans against visiting the territories occupied by Israel.

For the first time the warning included east Jerusalem where the main Jewish, Moslem and Christian holy sites – the city's biggest tourist draws – are located.

About a fifth of tourists are US citizens. Europe accounts for most of the rest. A large proportion are drawn by the immense historic and religious heritage of the Holy Land, but in recent years the Red Sea resort of Eilat has become a top destination.

Dome of the Rock: type of monument that draws tourists

The events of October led to mass cancellations. Almost all charter flights to Eilat were stopped until further notice.

El Al, the national carrier, saw revenues slide by $10m in October and reduced flights by 30 per cent.

"The situation right now is extremely tough, but the depth of the crisis is a function of its duration," says Mr Michael Federman, president of Israel's Hotel Association.

The Tourism Ministry, which already regards the usually busy winter season as "lost", is preparing for the crisis to last at least until next summer.

It is to allocate funds originally destined for a March 1991 foreign marketing campaign to October instead.

Until there is a recovery, the Hotel Association is willing to consider the use of one and two-star hotels facing financial difficulties as temporary housing for Soviet immigrants.

A Finance Ministry plan to extend VAT to the tourism sector is also likely to be dropped. Other possible steps include rescheduling hotel debts and an urgent appeal to world Jewry to visit, regardless of the threat of war.

Egypt to ask for debt leniency from Paris Club sovereign creditors

EGYPT will today plead for leniency in the rescheduling of about $10bn (£5.1bn) of foreign debt at a preliminary meeting with the Paris Club of western creditor nations, Tony Walker writes from Cairo.

However, Egyptian hopes of an early Paris Club rescheduling in the shadow of the Gulf crisis were dashed when the International Monetary Fund decided earlier this month not to proceed with an interim accord pending a full standby agreement in the New Year.

Western creditors had made it clear they were not prepared to set a precedent by allowing debt-burdened Egypt to reschedule without a formal IMF agreement.

Egyptian officials say that they still regard today's meeting as an opportunity to press for a substantial review of all debts subject to Paris Club discussions. These amount to about $20bn following decisions by the US and Gulf states to forgive debts of about $14bn.

Egypt's total foreign obligations, including arrears and military debt, exceeded $50bn before the Gulf crisis helped bring about a dramatic change in its fortunes.

The IMF and Western creditors have been urging Egypt to take advantage of its good luck to press ahead with an adventurous reform programme that would include overhaul of its monetary system.

Egyptian officials say they have reached broad agreement on a new market-driven exchange rate regime, a more competitive interest rate structure and greater reliance on the sale of treasury bills as an instrument of monetary policy.

The IMF has long urged an overhaul of Egypt's exchange and interest rate systems to inject greater life into the domestic economy and to encourage increased capital inflows.

Under the proposed exchange rate system, banks and officially-sanctioned money changers would set the rate for the Egyptian pound on a daily basis free of central bank interference. The bank would continue to operate its own pool, fuelled by oil revenues and Suez Canal dues, for commodity purchases.

The IMF envisages a phasing out of the central bank pool. In the meantime, regulations would be enacted preventing more than a 5 per cent differential in the central bank rate and that prevailing in the free market.

Western officials say they have been pleasantly surprised by an apparent new Egyptian willingness to accept the need for market-oriented reforms.

S Korea worried by slowdown in foreign investment

By John Ridding in Seoul

THE rate of direct foreign investment in South Korea is slowing, while an increasing number of foreign companies are withdrawing from the market, the Ministry of Finance announced yesterday.

A spokesman for the Ministry attributed the trends to the increase in costs in South Korea, a slowdown in the expansion of the economy and the increased opportunities for investment in eastern Europe and south-east Asia.

New foreign investment projects fell from 363 cases in 1987 to 336 last year, and in the first nine months of this year there were only 208 new projects, the ministry said.

The value of new investments has fallen more sharply. Whereas in 1988, the amount of new investment was $1.28bn (£650m), in the first three quarters of 1990 it was only $633m.

The number of companies leaving has also risen. Between January and September this year, 30 foreign companies closed down their operations, compared with 19 in 1988 and 26 last year. The most common reasons cited were worsening management conditions and financial difficulties. Just over 10 per cent found local owners to take over the business.

To a large extent, the decline reflects a shift in incentives facing foreign investors. The rapid rise in wages, which increased by an average of 22.7 per cent in the manufacturing sector last year, has reduced Korea's attraction for labour intensive industries.

The number of new investments in the textiles and apparel sector, for example, has fallen from 87 cases in 1987 to a mere three cases so far this year. At the same time, the government has reduced incentives for foreign investment, except for areas of high technology. Investors in this area continue to receive preferential rates of income and corporate tax.

An official at the ministry said that foreign investment in Korea is now at a transitional stage. He said that while less incentives were being given to new investment projects, the government is gradually liberalising the areas open to direct investment.

According to the report, about $7.7bn for 3,298 projects has entered the country between the first foreign investment in 1962 and the end of September. In the 1960s most of the money went into textiles, clothing and petroleum businesses, after which it also flowed into machinery, chemical engineering and service industries.

Oil bill holds down Japan's trade surplus

By Stefan Wagstyl in Tokyo

JAPAN'S trade surplus fell last month to $3.28bn, as an increase in the cost of oil imports offset a rise in exports boosted by the weakness of the yen earlier this year.

The total was 30.4 per cent down on the same month last year, according to figures released yesterday by the Ministry of Finance. It was the seventh time this year that the figures showed a decline in comparison with the same month in 1989. Economists said Japan was now likely to record for 1990 an annual trade surplus of around $50bn, compared with $64bn last year. The last time the annual surplus stood below $50bn was in 1985 when it hit $46bn.

The decline in the trade surplus is squeezing the amount of capital Japan has for investment overseas, including portfolio investment in the US and Europe. However, the reduction is bringing little relief to US and European companies which have complained most strongly in the past about being swamped by Japanese exports. This is because the reduction in the surplus has mainly been brought about by an increase in imports not a decline in exports, which have fallen only once in dollar terms in the last two years – in December 1989. Also, the fall in the trade surplus has been accompanied by an expansion of output at Japanese factories overseas, especially car plants in North America.

Exports last month rose 15.8 per cent to $26.7bn, boosted by a sharp increase in vehicle exports. Exports of electronic equipment, semiconductors and machinery were also all up.

Meanwhile, imports rose 27.6 per cent to $23.4bn, because of higher fuel import costs caused by the Gulf crisis. Fossil fuel imports rose 75.1 per cent to $5.24bn, or 27 per cent of the import bill for the month.

ANC urges land reform

By Patti Waldmeir in Johannesburg

THE African National Congress has called for a redistribution of land in South Africa involving "selective nationalisation" and an affirmative action programme to acquire land for blacks.

In a report released yesterday – a summary of a conference held last month – the ANC said the state "should play the principal role in effecting a major redistribution of land". But most delegates to the conference agreed that nationalisation would not be the only method used.

"In the context of a mixed economy there would only be selective nationalisation, and the distribution of this land would be based on land use needs," the report said.

The report reflects the ANC's initial reflections on the emotive issue of land reform, rather than firm policies. But it gives the best indication yet of the organisation's plans for dealing with a situation in which 87 per cent of South Africa's land is owned by whites (who represent only 14 per cent of the population) while blacks own only 13 per cent of the land.

Indonesians launch 'free union'

By Claire Bolderson in Jakarta

A GROUP of workers and human rights activists in Indonesia have formed an independent trade union, which under the name Setia Kawan (Solidarity) aims to challenge the monopoly of the country's one officially sanctioned union.

Organisers of the new union said at its launch in Jakarta yesterday that they plan to campaign for better wages and working conditions through what they described as a union "free from the influence of the owners of industry, employers and the government".

Under the Indonesian constitution workers have the right to organise, but the right is rarely recognised by a government fearful of losing control of its 80m-strong workforce and of allowing possible instability. Many workers who take part in industrial action, even through the government approved All Indonesia Workers Union, face harassment.

The almost total absence of labour unrest, together with officially sanctioned low wages in Indonesia, have been one of the main factors in attracting large amounts of foreign investment to the country. The legal minimum wage in Jakarta is $1.15 (59p) per day and outside the capital it is considerably lower.

Organisers of Setia Kawan acknowledged that cheap labour had attracted investment, but they said it had also meant "disaster for the workers".

Only by receiving decent salaries could workers benefit, they said. The union says it already has about 5,000 members and plans to hold a labour congress early next month to elect a leader and agree a constitution.

Ridley launches fresh attack on European union

By John Mason

MR NICHOLAS Ridley, the former Trade and Industry Secretary, yesterday told the House of Commons that a single European currency would increase economic and political tensions and threaten to break up the European Community.

Speaking during the debate on the Queen's Speech, which last week set out the government's legislative programme for the next Parliamentary session, Mr Ridley insisted that Mrs Margaret Thatcher, the Prime Minister, was "absolutely right", both in style and substance, to oppose the imposition of a single currency. "It leads to discontent. It leads to political tension. It leads to nationalist parties and in the end it leads to break-up," he said.

Speaking the day after Sir Geoffrey Howe's resignation statement, he also refuted the former chancellor of the exchequer's suggestion that a "middle way" existed to resolve the issue.

Mr Ridley, who resigned in the summer after his controversial attack on the Delors proposals for monetary union, insisted that whoever controlled the currency also controlled the government.

A single currency would be unable to cope with economic divergence between the stronger and weaker nations and regions within the EC, he said.

Weaker nations trying to improve their competitiveness would be unable to do so by adjusting interest rates while it was asking the impossible for them to lower wage rates. The alternative would be a regional policy giving grants on an unprecedented scale. However, such a policy had never been very successful in the past.

A single currency would therefore lead to economic and political strain in the face of such divergence. The disintegration of the Soviet empire was one example of such strains. It was not in the interests of any EC member states to support a single currency.

In an uncompromising endorsement of Mrs Thatcher's stance, he added: "The prime minister is absolutely right to be firm about a single currency. She should seek to persuade the other 11 of the mistake they are making."

Editorial Comment, Page 22

Shake-up of telecoms welcomed

Paul Abrahams and Andrew Taylor on reaction to government plans

REACTION to the British government's far-reaching green paper on telecommunications remained positive yesterday, as specialists had more time to study the document closely.

In the most significant review of the industry since the privatisation of British Telecom in 1984, the government intends to increase competition on local, trunk and international services. It is also planning to break the duopoly of fixed-link services enjoyed by BT and Mercury Communications.

British Rail believes it is one of the companies best set to take advantage of the proposals since it already has a large fibre-optic network laid along its tracks for its own use. It presently provides Mercury Communications with about 50 per cent of its trunk cable network.

British Rail Telecommunications, which was set up in September, says it is negotiating with a number of potential private sector partners with the intention of setting up a joint-venture. The company, which is unable to use public money for telecommunications projects under the government's consultative document, is looking for between £200m and £400m to invest in the sector.

"Through the document we have received everything we wanted and more," said Mr Peter Borer, managing director of BR Telecommunications. "We will be one of the few concerns able fully to take advantage of the liberalisation. Our network is already in place, unlike many businesses which may well find the capital costs of setting up a network prohibitive."

Mr Borer said yesterday that BR Telecommunications planned to provide services to local service providers, especially cable operators, as well as cellular operators and telepoint companies. He says the BR Telecommunications also plans to offer services to private corporations.

Although some of these services could be available only a few months after a licence is issued, most would be operational in three to five years time.

The Post Office, which earlier this year announced plans to sell excess capacity on its private network to business users, said: "Our general understanding is that we can spare capacity under existing powers but we will be looking with interest at the details of the consultative paper."

Among the mobile operators, Sir Ernest Harrison, chairman of Racal Telecom, said the paper would provide new opportunities for both Racal Telecom and Racal Network Services.

British Aerospace which has expended its business interests in recent years to include satellite communication services said it was delighted with the proposals which it said gave a clear indication of the government's intentions to move towards a deregulated market.

The cable television operators, which will be given permission to provide voice services under the proposals, have also welcomed the green paper.

United Artists Cable International, which has seven franchises with the potential to serve nearly 1.5m households, said the cable industry could play a significant role in the creation of choice for consumers through local telephone services.

However, PA Consulting Group warned that although the paper encouraged competition and liberalisation, there was a danger that the proposals would lead to increased distortions in the market place and would increase regulation.

Telecoms market
POSSIBLE NEW ENTRANTS

International
US telecommunication companies
Satellite operators: British Aerospace
Racal Electronics
EDS

Long distance
British Rail
British Gas
Post Office
London Underground
Electricity companies
British Waterways
Satellite operators

Local services
Cable TV companies
PCN mobile telecommunications operators
Water companies
Telepoint operators

Fear in US of reduced competition

By Martin Dickson in New York

"AT&T, this is Tammy. How can I give you excellent service?" This is the kind of consumer-friendly, if somewhat cloying, opening line you get in the US if you ring one of the large, long-distance telephone companies with a problem.

For anyone more used to the curt tones of a British Telecom operative, it comes as a pleasant surprise. But that said, consumer groups in the US are worried that a new consolidation in the long-distance telephone industry and a revised method of price regulation by the Federal Communications Commission may now be significantly reducing price competition.

The benefits to the US consumer of the 1984 break-up of the Bell telephone system go beyond glossy public relations. The price of long-distance calls has fallen sharply, and subscribers also benefit from cut-throat marketing of new services to win their business.

While local US telephone companies enjoy regulated monopolies, the break-up of the Bell system created fierce competition, out of which emerged three industry leaders: AT&T, the original monopoly supplier, which now has about two thirds of the market, MCI, with some 16 per cent, and US Sprint, with some 10 per cent. The rest is divided between several hundred small companies.

The newcomers initially attacked the AT&T franchise by offering cheaper prices.

But lately, prices have been stabilising, or even increasing, and with the industry leaders offering broadly similar products, they have been relying on marketing and advertising to win market share.

The big three are also involved in an expensive negative advertising war, with AT&T trying to capitalise on its traditional reputation for quality and suggesting that its opponents do not deliver all they promise, either in price or service.

US call: 'excellent service?'

BRITAIN IN BRIEF

Welsh group in joint venture

The Gooding Group, a Welsh electronics concern, is to link with Sanken Electric, leading Japanese manufacturer of power-electronics equipment, to produce transformers and switch-mode power supplies.

Gooding Sanken will build a plant north of Cardiff, South Wales, costing between £5m and £10m which will employ about 500 people.

Bomb suspect extradited to London

Mr Desmond Ellis, wanted in connection with terrorist offences, has been flown to Britain from Dublin after an appeal against extradition was dismissed by the Irish Supreme Court.

Mr Ellis, who has been on hunger strike, is the first Irish national in recent history to be extradited from Ireland to mainland Britain.

He was taken to Bow street court in London and remanded in custody charged with having explosives and with conspiracy to cause explosions. The charges relate to bombings in Britain in the early 1980s.

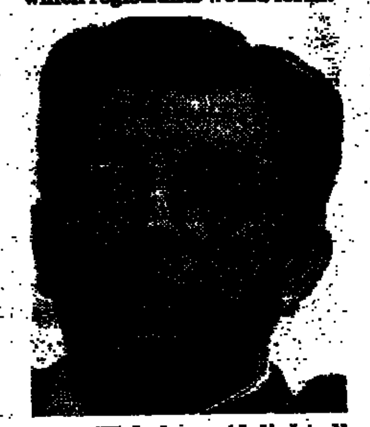
In a separate development, three detectives involved in the investigation of the 1974 Guildford and Woolwich pub bombings are to be prosecuted for conspiracy to pervert the course of justice.

The so-called Guildford Four were set free by the Court of Appeal in October 1989 after serving 15 years of their life sentences for alleged involvement in the bombings in which seven people died.

7m register for electricity shares

More than seven million people have registered to buy shares in the 12 regional electricity companies, said Mr John Wakeham, energy secretary.

Mr Wakeham was speaking ahead of a deadline at midnight last night, after which registrants would forfeit their right to incentives in the share sale, due to start next Wednesday.



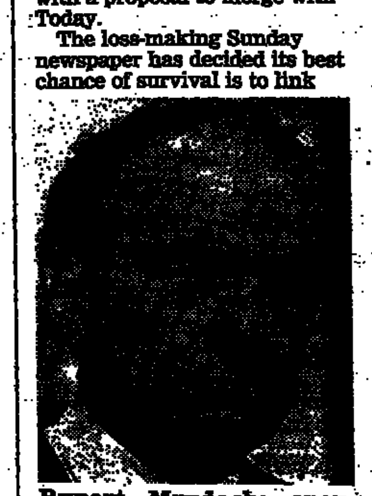
John Wakeham: 'delighted' at response to offer

Last minute registrations were still pouring in as Mr Wakeham was visiting the Bristol-based share information office.

Correspondent woos Today

The Sunday Correspondent has approached Mr Rupert Murdoch's News International with a proposal to merge with Today.

The loss-making Sunday newspaper has decided its best chance of survival is to link with a daily newspaper which has no related Sunday publication.



Rupert Murdoch: open-minded on merger plan

Both loss-making papers would cut costs by sharing one building as part of a seven-day operation.

Union Carbide attacked

Environmentalists attacked the environmental record of Union Carbide, US chemicals group, claiming it is a major generator of toxic substances.

The attack was made at a press conference in a London hotel where Mr Bob Berzok, Union Carbide's director of corporate communications, was due to address a seminar on corporate responsibility and how to sustain environmental excellence. However, Mr Berzok cancelled his appearance at the seminar.

Britain 'needed' in Europe

The "very special" British contribution to a united Europe is needed now more than ever, German president Richard von Weizsäcker said in Coventry, central England.

"We Europeans are given a chance of a new beginning unprecedented in history," he said at a service of reconciliation at Coventry Cathedral to mark the 50th anniversary of the Blitz.

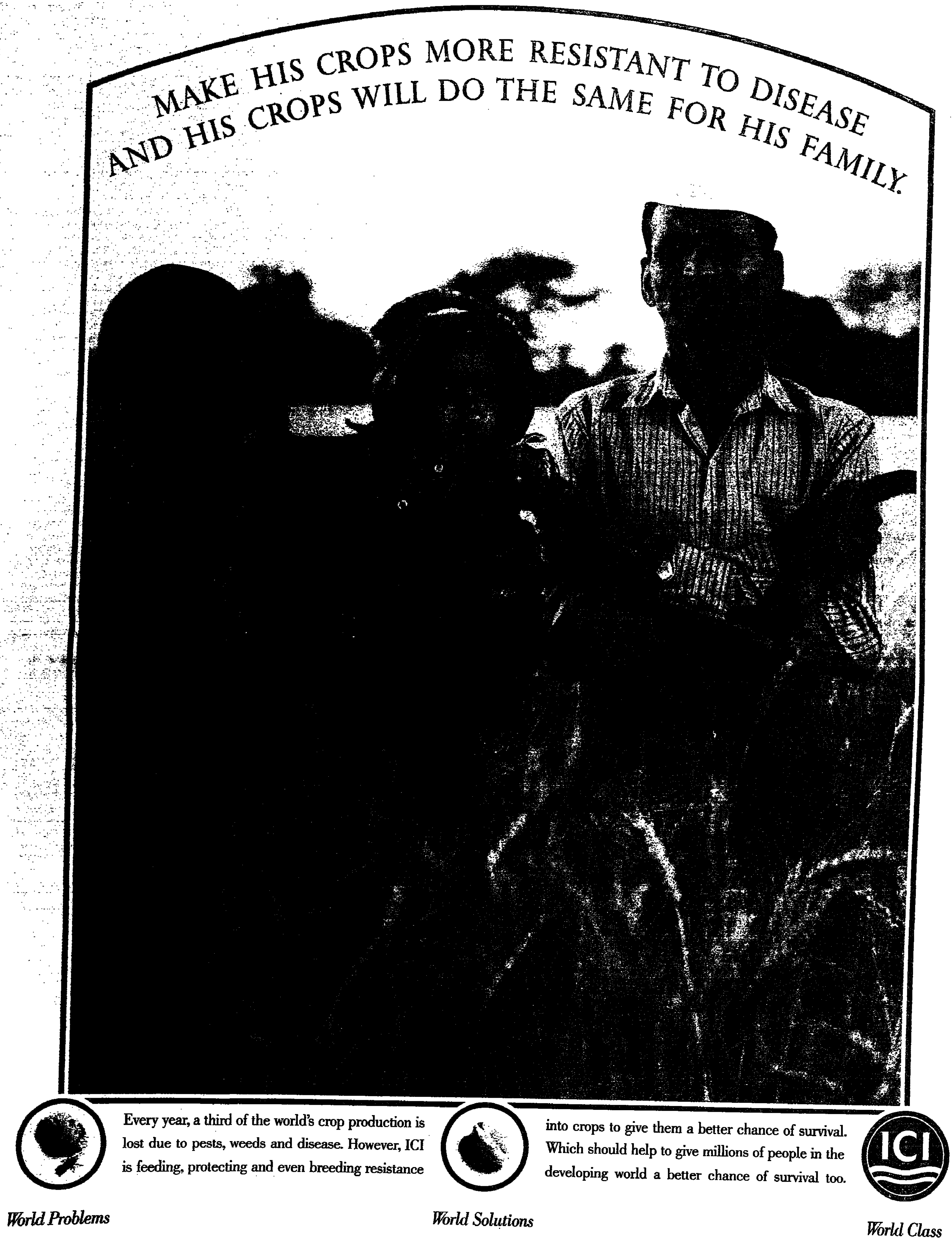
Satellite TV profits warning

Investors in British Sky Broadcasting, the newly-merged satellite television company, were warned not to assume the company was now on a smooth road to profit.

"Even if the satellite market accelerates to 120,000 units a month, it seems unlikely that B-Sky-B can break even before the end of 1993," says the report.

Extra runway 'a necessity'

An extra airport runway in the London area has become "an absolute necessity" if disruptions in British air transport are to be avoided, the Air Transport Users Committee warned in a submission to Mr Cecil Parkinson, transport secretary.


MAKE HIS CROPS MORE RESISTANT TO DISEASE
AND HIS CROPS WILL DO THE SAME FOR HIS FAMILY.
Every year, a third of the world's crop production is lost due to pests, weeds and disease. However, ICI is feeding, protecting and even breeding resistance into crops to give them a better chance of survival. Which should help to give millions of people in the developing world a better chance of survival too.
ICI
World Problems
World Solutions
World Class

Marketing men seek to restyle Conservatism

By Ralph Atkins

THE MARKETING team behind Mr Michael Heseltine has five days to create a brand of Conservatism which can outsell a tried-and-tested model of 11 years' standing.

Mr Heseltine spent four years on the back benches honing his personal manifesto.

Now he faces the most important week in his political life selling it to Conservative MPs at Westminster and trying to convince a majority in the parliamentary party that his prescription makes a change of leadership worthwhile.

The broad themes on which he will take on Mrs Margaret Thatcher were struck in a series of press and television interviews yesterday. His programme is about extending Thatcherism rather than redefining Conservatism.

Europe was no surprise, given the turbulent debate within the party that foreshadowed his candidacy. But the second strand – a review of the poll tax – could be more effective in swinging MPs to join the 100 he claims have backed his candidacy.

His weakness could be logistical. So far he has relied at Westminster on just two faithful lieutenants – Dr Keith Hampson, the MP for Leeds North West and Mr Michael Mates, the member for Hampshire East. Neither has experience of government office. Ranged against them is a campaign team run for the prime minister by four former cabinet ministers.

The appeal on the community charge correctly, and shrewdly, recognises a deeply felt anxiety at Westminster over local government that continues to rumble, despite the shift of attention to Europe and the economy.

Mr Heseltine's undertaking to "review" local government finance is a calculated appeal to the many Conservative MPs who have slender majorities in northern constituencies.

Mr Heseltine has carefully avoided alienating supporters by setting out in much detail his preferred system of local government finance. But the "fallback position" – reducing poll tax bills by transferring education budgets to central government – plays on the concern of both Labour and the Conservatives to raise education on the political agenda.

With results of opinion polls to back him, Mr Heseltine's can build on his novelty value and the "honeymoon" period that he could expect in the first six months of his prime ministership.

"Its a matter of survival. We want to win," said one Heseltine supporter who has yet to make public his conversion.

Mr Heseltine will want to be seen as the calming influence on the party. The debate on Europe is splitting the party asunder, his aides will argue. The younger, pro-Europe generation and vital industrial and commercial interests need to be brought back into the Tory fold. Only Mr Heseltine has a chance of uniting the various factions, the argument goes.

That may be wishful thinking, however, given the strength of the "Euro-sceptic" wing still backing Mrs Thatcher.

The incalculable factor is the number of ministers on the government pay-roll who will switch allegiance in the privacy of the voting booth. Personal ambition or genuine dissatisfaction are both motives. Mr Heseltine will be looking for an electoral dividend in the band waggon effect he has built-up.

A selling point is the former defence secretary's style of leadership. He was regarded in Cabinet as a minister who sought the opinion of others.

Leader, Page 23

Mrs Heseltine (right) wishes her husband luck yesterday as he leaves their London home

ELECTION RULES

Short campaign to decide leadership

By Richard Evans

NOW that the Conservative party leadership contest is confirmed, the battle will be brutally short. Although the vote will be conducted under the revised rules laid down in late 1974 by a committee under Lord Home, a former prime minister, the timetable has been curtailed.

The deadline for nominations closes at noon today, and the result of the first ballot will be announced next Tuesday. If a second ballot is required, it will be held on November 27.

To win in the first round, a candidate must obtain an overall majority among Conservative MPs and win 15 per cent more votes than any other candidate.

That would require a minimum of 186 votes, with a margin of 56 votes more than the nearest challenger.

If no candidate achieves both these targets and a second ballot is necessary, other candidates may come forward, and only an overall majority of votes is then needed.

Should no candidate manage to get 51 per cent or more at that point, the contest goes to a third and final round, with the three highest placed in the second round participating.

Conservative MPs then have to mark their preferences for the three candidates in order, and the winner emerges from a single transferable vote.

The system was last used a year ago, when Mrs Thatcher easily defeated the "stalking horse" candidate, Sir Anthony Meyer MP, on the first ballot by 314 to 33, with 24 spoilt papers and three abstentions.

A much more dramatic contest took place the first time the revised system was used, however. That was when Mr Edward Heath, defeated in the general election of October 1974, faced such a barrage of criticism that he was forced to ask Lord Home, formerly Sir Alec Douglas-Home, to draw up a revised set of rules for the election of the party leader.

He accepted the new rules and announced that the first ballot would be held on February 4 1975. Mrs Thatcher, who had been education secretary, was the first to declare herself a candidate.

Sterling tremors in unsteady markets as Tory quake rumbles on

Rachel Johnson finds dealers uneasy about the prospects for the economy of a concerted leadership challenge to the prime minister

LONDON'S financial markets, already weak with recession, took a turn for the worse with yesterday's confirmation of a leadership challenge to the prime minister.

"The political rift in the Tory party has opened up at a time when it looks as though the economy has gone over a cliff," said one economist.

As markets abhor uncertainty about as much as nature abhors a vacuum, dealers were yesterday predicting sterling would drop at least two pfennigs a week until the crisis has been resolved.

Sterling spent most of yesterday below DM2.90, a level at which traders reported the Bank of England had been buying pounds in an unsuccessful attempt to arrest its decline.

This downwards drift may not last long enough for Britain's exporters and industrialists, who have complained about the high central rate of DM2.95 at which the government took sterling into the ERM.

But it will certainly be too long for the Treasury, for which a strong pound is a main plank of monetary policy and a weak pound costly to defend – something it is committed to do if sterling slips too far within the ERM.

On the foreign exchanges, and in the Treasury and Bank of England, the next fortnight will be one of nail-biting tension.

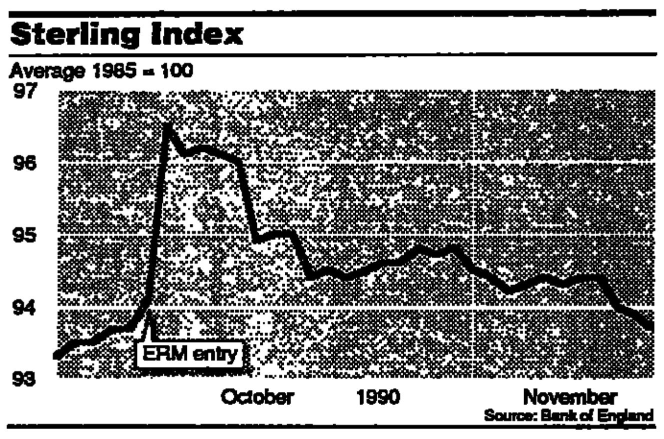
For the financial markets appear to have decided that a change of leadership will be bad for the pound.

The markets first preference seems to be for a decisive win for Mrs Thatcher, as this is the outcome that would go down best overseas.

The pound still possesses what is known as the "Thatcher premium," something of an anachronism, given the current domestic climate of high inflation, stagnant growth and political upheaval.

But the premium remains bolstered by the UK's high interest rates, and traders were yesterday continuing to observe, as one did, that "if you go to New York, the only politician they've heard of over there is Mrs T."

Second-best would be a less-than-decisive Thatcher victory. The markets reckon that going to the polls with the same prime minister, even one with a lame duck label, would give the Tories a better chance of winning the next general election against the background of a possible Gulf war.



Mr Avinash Persaud, economist at UBS Phillips and Drew, explained that the growing anxiety that the Tories should win, derives from the stigma attached to the Labour party. "A Labour government is sterling, bond and equity-negative," he said.

A victory for Mr Michael Heseltine, or Mr Douglas Hurd, trails a distant third. However, before yesterday's developments, Mr Heseltine's Euro-credentials had left the markets quite cheery in contemplation of his leadership. This was on the grounds that he would be quicker off the mark on European economic and monetary union than Mrs Thatcher.

But these European goals, with their deadlines stretching from 1994 into the next century, are now seeming much less immediate than the UK election, due to be held by June 1992 at the latest. Nor has Mr Heseltine's stock been helped by rumours doing the rounds yesterday that he would devalue the pound if he won.

Although the markets have discounted a lot of damage to sterling, it still has several pfennigs to fall before the authorities have to take serious action to shore it up.

With sterling facing a wobbly fortnight, the Bank of England is confronting sessions of heavy intervention or even having to raise interest rates if sterling approaches its floor in the ERM.

A rate rise is an option which the markets consider will be taken only *in extremis*, as it would fly in the face of anecdotal and statistical evidence that the UK economy is in the middle of the third deepest recession since the second world war.

But it remains an option which threatens the Treasury's hopes to cut base rates to 12 per cent by the end of the year and begin stimulating the economy out of its slump and into a pre-election boomlet.

Political crises in the Tory party have been responsible for the worst bouts of currency weakness in recent years.

These include the introduction of the poll tax last April, and the resignation of Mr Nigel Lawson over European policy in October 1989.

What marks out this sterling crisis as different is the ERM. Before the UK joined, sterling could go into a free-fall.

Now, the authorities have observed that instead of the Bank of England buying sterling to push it up past key chart points when it weakens, the markets do it instead.

The latest political rift shows how the process of topping up sterling's Thatcher premium with ERM medicine has begun.

World Stock Markets, Back Page Section II

INDUSTRIAL REACTION

Political uncertainty worries business

By Michael Cassell, Business Correspondent

BRITISH INDUSTRIALISTS yesterday appeared less worried about the identity of their prime minister a week from now than that the issue should be conclusively resolved.

Company executives did not want to be drawn into publicly aligning themselves with the prime minister, Mr Michael Heseltine or any other possible candidate, but there was almost universal agreement that the present political uncertainty should be ended with the minimum delay.

Support for the government's past economic strategy remains strong but industry's present problems have clearly tended to diminish its achievements in the eyes of many business leaders.

The government, under Mrs Thatcher's guidance, is blamed for keeping interest rates too high for too long and several company heads echo former deputy prime minister, Sir Geoffrey Howe's criticism of Mrs Thatcher for preventing Britain from joining the ERM at a much earlier date.

Several business leaders expect a Heseltine government to adopt an instinctively more constructive tone than Mrs Thatcher over Europe, although they found difficulty in specifying those policy areas on which the two differed.

Industry has barely started to consider what it could expect under a government led by Mr Heseltine, whose cabinet career was confined to the Environment and Defence departments. In some respects, his creed in respect of the framework of relationships between government and industry appears more closely aligned to current thinking in the Labour party than to that of recent Department of Trade and Industry ministers.

The leadership challenger is, inevitably, best remembered for his period at the Department of the Environment, where he laid great emphasis on the potential for public and private sectors to work together to regenerate the inner cities.

But Mr Heseltine has repeatedly made it clear that the revival of Britain's manufacturing base is the key to its future success and that any government has a strategic role to play in the process.

Under Mr Heseltine, the government would, he pledges, also play a greater role in assisting and co-ordinating national bids for major overseas contracts.

In terms reminiscent of the opposition Labour party's repeated condemnations, he has criticised Britain's comparatively low level of expenditure on research and development and training and has said that the government has a role to play in reversing the trend.

He has made it clear, however, that the problem should not be tackled with a "cavalier, throw-money-at-it abandon".

US REACTION

Threat to Thatcher shocks Americans

By Peter Riddell, US Editor, in Washington

THE CHALLENGE to Mrs Thatcher's leadership, and her possible political demise, is a profound shock for most Americans. Such is her standing in the US that it would almost be like Sir Winston Churchill losing the 1945 general election.

Her departure could have wide-ranging effects on US attitudes towards Britain.

The challenge, moreover, comes at a time when Mrs Thatcher's stock at the White House is at its high point of the Bush presidency. He regards her as his most loyal and stalwart European ally in the Gulf crisis.

Until yesterday most Americans did not know Mrs Thatcher was in serious political trouble. There have been scattered press reports of her problems. Sir Geoffrey Howe's resignation caused a flutter of interest, and his Tuesday Commons speech was covered by the New York Times and Washington Post. But it received just one paragraph in the US edition of the Wall Street Journal and no coverage at all on the evening ABC and CBS new bulletins.

That was changing yesterday after the challenge by Mr Heseltine who is completely unknown here. Mr Douglas Hurd, the foreign secretary, is known and increasingly respected by a few officials.

The irony is that earlier this year some US policymakers were becoming irritated with Mrs Thatcher, notably over her public reservations about German unification. There was nothing of the warmth and intimacy of the Reagan/Thatcher relationship.

However, the Iraqi invasion of Kuwait on August 2 – and the coincidence of Mrs Thatcher being in Aspen with Mr Bush then – brought the two leaders closer together.

Britain has been the most consistent European supporter of the US line and Mr Bush has repeatedly praised Mrs Thatcher in his public statements. At times there has been the fear that she has been more hawkish than Washington, notably last week when she appeared to be pressing for an earlier war than Mr Bush is willing to consider.

The worry for Washington is not that an alternative Conservative leader – whether Mr Heseltine or Mr Hurd – would pursue a different policy, but that their tone and style would be different. It is the manner of Mrs Thatcher's support, as well as the presence on the ground of the Desert Rats, that matters.

Her departure would raise questions in the US about the extent of European backing.

EC REACTION

Brussels sees no end to minority syndrome

By Tim Dickson and Lucy Kellaway

NO ONE in Brussels is laying bets on the likely future of Mrs Thatcher in the leadership contest, but neither is anyone at the European Commission counting on an early end to the 11-to-1 syndrome – with Britain in a minority of one against its 11 fellow member nations.

"Everyone on the 13th floor (where the commissioners have their offices) is spellbound by the drama, but it is totally impossible to say what will happen: whether she will go, and if she does, what the implications will be," said one official.

Mr Jacques Delors, the Commission president, is watching developments with particular interest. His verbal sparring with Mrs Thatcher has at times dominated the Community in recent years.

A year ago, Mr Delors was on top of the world, the 1992 project seemingly unstoppable, and a vision of economic and monetary union apparently close to reality.

More recently, however, he is reported to have become increasingly nervous about the growing isolation of the UK on some of the issues that are dearest to him, and worried that his confrontation with the British prime minister could backfire.

On more mundane matters, the British position on EC issues is not expected to change much, even under a new leader. For years, UK diplomats in Brussels have built up a reputation for rigorous analysis of Brussels' daily business. Some officials expect that the most visible change with any movement at the top would be in style: the UK response would no longer be "not over my dead body," but "no, but".

Few believe that the desire to replace Mrs Thatcher stems from any new enthusiasm for Brussels. "My feeling is that the European issue is a bit of a red herring," said one cynical official. "The real reason they want to get rid of her is because of high interest rates and the poll tax".

Yet not everyone in Brussels is transfixed by events in London. One British eurocrat complained that in conversations with other nationals over a pint at the pub yesterday the student riots in France topped the bill – the names "Thatcher" and "Heseltine" were not even mentioned.

■ The economy: is there a crisis or is it just a downturn? Page 2

FINANCIAL TIMES SURVEY

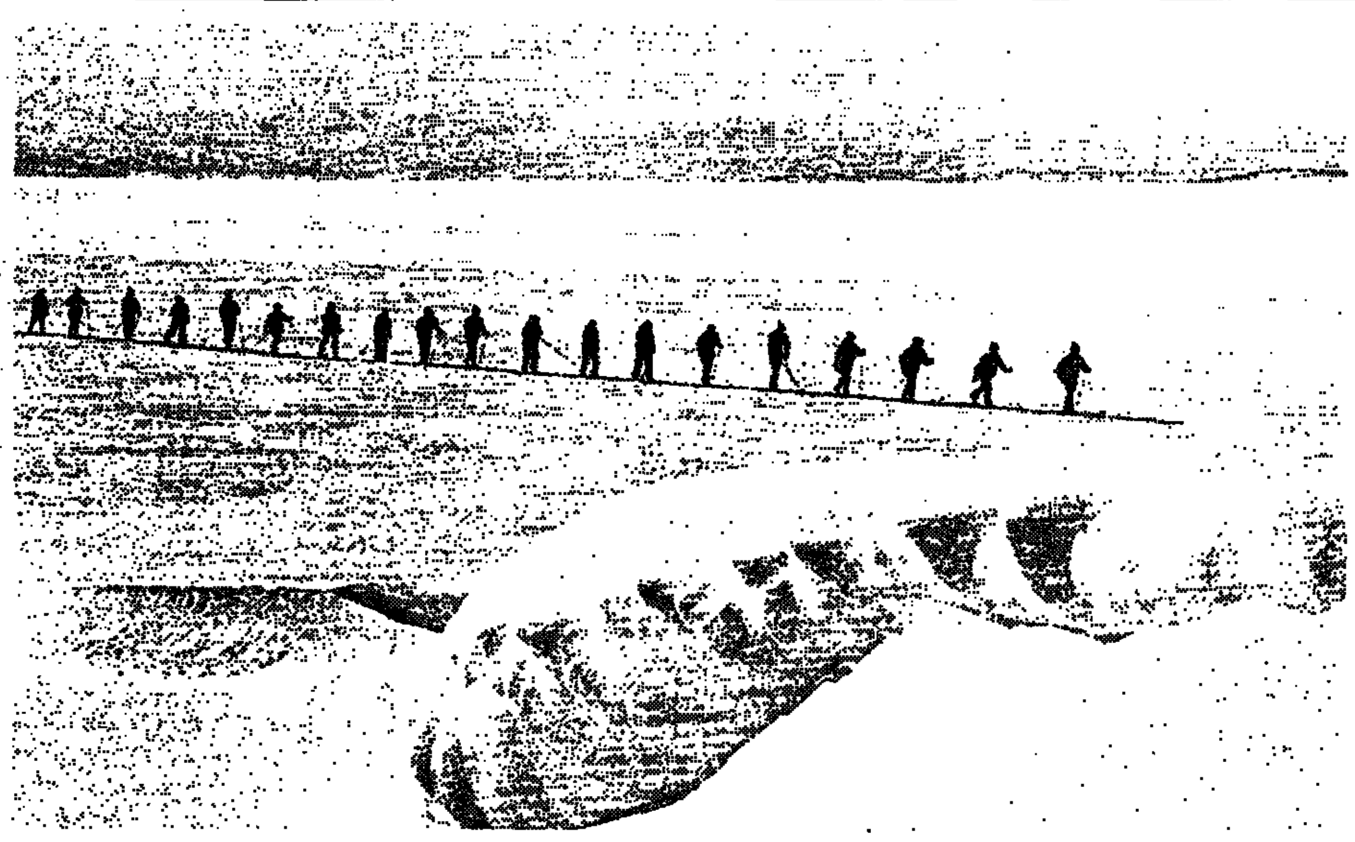
FINLAND

Thursday November 15 1990

■ "Don't rock the boat" leads to shallow political debate Page 4

An undercurrent of anxiety has disturbed the surface calm of a still affluent country. Finland's future in the 1990s seems bound up with western Europe's evolution. But the unpredictable problems now facing the Soviet Union will also have a big impact, writes **Robert Taylor**

A view from the edge



Winter in Lapland. This year will thousands of starving, desperate Russians try to cross the frontier into Finland?

UNDER THE surface calm of affluent Finland this winter lies a growing undercurrent of anxiety about the immediate future. The gloomy mood is not caused just by uncertainty about the new recession that has brought a rapid halt to more than a decade of strong economic growth.

Nor does it really arise from Finnish worries over the negotiations in Brussels on the creation of a European Economic Area (EEA) between the European Community and the European Free Trade Association on which Finland, more than any other Efta country, still places misguided hope.

What really alarms the policy-makers is the unfolding of turbulent events inside Finland's giant neighbour – the Soviet Union. An increasing number of Finnish policy-makers believe it is heading inexorably towards catastrophe. The spectre is of more than half a million starving, desperate Russians trying to cross the still well-guarded 1,300km-long Soviet frontier into Finland this winter in search of food and warmth.

Conditions in eastern Karelia and in the Leningrad region are growing desperate by the day. Many Finns travelling this autumn in the Soviet Union on business have returned with alarming reports about the collapse of social order in the struggle for sheer survival.

"It is growing increasingly difficult to find Finns who want to work on short-term contracts over there now," admits one senior industrialist. "There are whole districts in Moscow and Leningrad where law and order has completely broken down."

Last month Finland quietly began exporting meat and potatoes from its own reserves to help feed Russians living close to its border in eastern Karelia. The government is trying to convince other western countries that emergency aid from them may well be necessary as the winter goes on.

The prospect of the Soviet Union's disintegration fills most Finns with horror. Ever since achieving independence from Russia in 1917 a few months before the Bolshevik seizure of power, Finland has sought a *modus vivendi* with Moscow. "The cornerstone of our foreign policy is to have good relations with our neighbours," says Mr Pertti Paasio, Finland's foreign minister.

Post-war Finland developed a special relationship with the Soviet Union of mutual advantage. Over the years the Finns enjoyed a much more beneficial economic tie-up with the Soviet Union than any forged between Moscow and its satellite states in eastern Europe.

The 1948 Soviet-Finnish treaty of friendship created a bilateral clearing house trading system between the two countries in which Soviet oil and gas was exported to Finland in return for Finnish consumer products. The highly formalised structure cushioned Finland from the uncertainties of energy prices and provided its less efficient shipbuilding, textile and shoe-making companies with a guaranteed and undiscriminating market for their goods.

The trade arrangement became a guarantee of security and continuity for much of Finnish industry. As recently as 1985, 21.5 per cent of Finnish total exports went east.

But since the arrival of perestroika and glasnost the old certainties of Soviet-Finnish trade have vanished. "The golden age has definitely gone," argues Katariina Koivumaa of the Institute of International Affairs. "It was a period of overheated prosperity which was too good to be true."

Many Finnish employers admit they liked the old system. At least they knew whom they were doing business with in the Soviet Union, and deals they entered into were honoured to the letter. Now they often do not know who makes decisions on the Soviet side and many complain they are not being paid on time. It has recently been estimated that Soviet companies owe as much as FM7bn to their Finnish customers for orders received.

The Soviet government has announced it wants to end the bilateral clearing house system and replace it with a normal trade arrangement financed through convertible currencies. But a recent survey of Finnish companies carried out by the country's Institute of International Affairs found nearly half the enterprises interviewed said they disliked the idea of the old arrangements coming to an end.

The most opposed to change are companies in the textile and clothing industry but there is resistance also in the metal and food-processing sectors. By contrast, employers in transport and wood processing take a more positive attitude.

The Finnish authorities favour a transition period to move from the existing closed trade system to an open one. Many companies support what they call a "mixed" arrangement which links the benefits of the clearing house structure with the freedom of a convertible currency based trade.

Mr Max Jacobson, a former Finnish diplomat, warned recently that the decline in the authority of the Soviet state and the underdeveloped nature of the Soviet banking system are making it impossible to secure sufficient counter-guarantees to underpin Finnish trade carried out in hard currencies with the Soviet Union.

The proportion of Finland's total exports now going east has fallen to around 10 per cent. Many Finnish policy-makers believe their country's trade to the east – already suffering from the curb on Soviet oil and gas exports – could fall to a mere trickle if the traditional system is abolished.

Hope of a more commercial kind of economic relationship between Finland and the Soviet Union has hardly yet become a reality. Only a handful of the 260 or so joint ventures signed in recent years between Finnish companies and Soviet enterprises are actually in operation. Discussion last winter about the creation of a free economic zone between Finland and the Viborg area of Soviet Karelia has hardly got beyond the talking stage. The Kola peninsula environmental project is still little more than a promise.

Anxieties in Finland about the Soviet Union have begun to focus public attention increasingly on the forging of closer ties with western Europe. Indeed, Finnish public opinion appears to be moving more rapidly than that of the politicians towards support for Finland's membership of the European Community. A Gallup poll published earlier this summer found 60 per cent favoured Finnish membership of the EC and only 13 per cent actually opposed the idea.

Such feelings have not led Finland's coalition government to warm towards the prospect of EC membership. When Sweden's ruling Social Democrats announced recently that they wanted their country eventually to join the EC, their decision aroused anger in Helsinki.

As the foreign minister argues, the creation of the EEA between the EC and Efta countries in Finnish eyes still remains "an optional alternative" to EC membership. "If there is too much speculation about other alternatives it will disturb the atmosphere of our present negotiations with the EC," he adds. "We are trying to stay on the train for the EEA. We don't want to stand on the cold platform waiting for the next train."

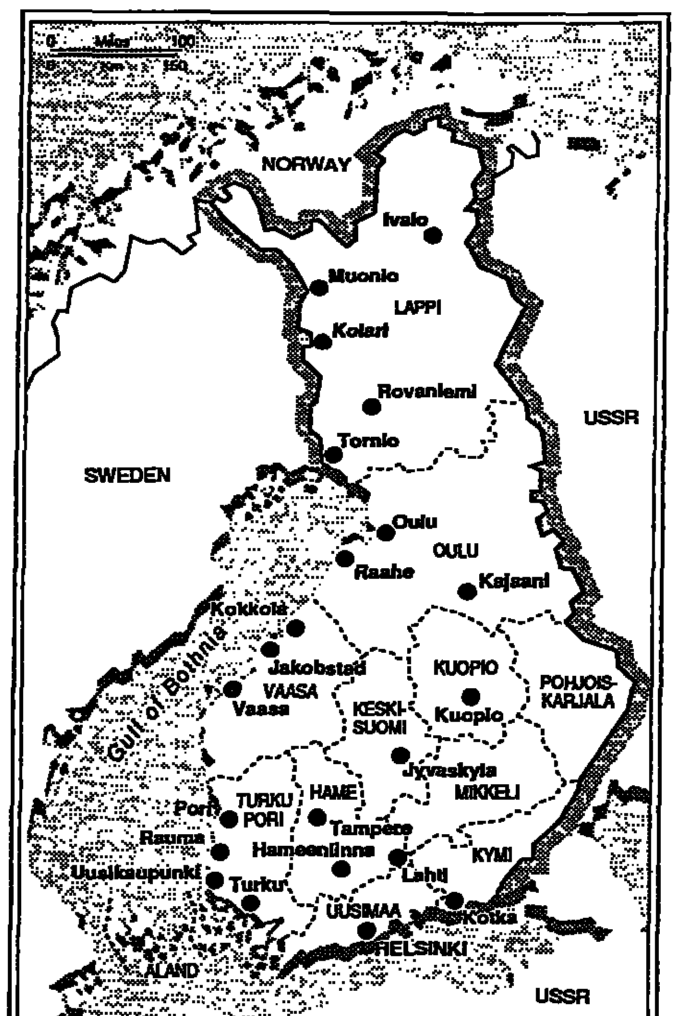
Mr Paasio defines Finnish foreign policy as "pragmatism without rhetoric". It is rooted in a deep caution and a suspicion of any threatened change to the so-called Paasiviki-Kekkonen line of non-alignment that has conditioned Finnish official attitudes to the outside world since the country's 1944 defeat as Hitler's ally by the Red Army.

It is true that earlier this autumn the Finnish government unilaterally abandoned clauses of the 1947 Treaty of Paris that limited the size of Finland's armed forces and restricted relations with Germany but this was a belated recognition that the transformation of Europe over the past 12 months has rendered much of the post-war diplomatic settlement obsolete. For the most part, the Finnish approach to foreign policy has yet to be modified in any significant way in response to the changes that followed the demolition of the Berlin wall.

Mr Paavo Lipponen, head of the country's Institute for International Affairs, warns: "Finland runs the risk of isolation. We can't just sit here and watch the developments going on in Europe as a mere spectator." He believes: "We will have to join the EC. It is really just a question of time before we do." But for Mr Paasio and other policy-makers it remains more important for Finland to take a leading part in the so-called Helsinki process – the Conference on Security and Co-operation in Europe (CSCE) which comes up for review at a conference scheduled for 1992 in the Finnish capital.

The Finnish government favours the creation of a permanent CSCE secretariat as a centre for conflict control in Europe with annual summit conferences of member states. "We need to widen our concept of security," insists Mr Paasio. "Is it old-fashioned to be neutral? If you define it as a pattern of civilised and impartial behaviour, then it retains credibility. Indeed, the whole of Europe may well in that sense soon become neutral as well."

IN THIS SURVEY



Area	338,000 sq km	
Population	4.97m (1989 estimate)	
Average Exch Rate	1989 US$1 = FM4.29	
ECONOMY	**1988**	**1989**
Total GDP (US$bn)	105.3	115.0
Real GDP growth (%)	*5.2*	*4.9*
GDP per capita (US$)	21270	23141
Main Components of GDP (%)		
Private Consumption	53.4	52.3
Gross Fixed Investment	24.7	27.1
Government Consumption	20.5	20.0
Exports	24.8	23.8
Imports	-25.0	-25.5
Current Acc't Balance (US$bn)	- 2.8	- 5.1
Exports (US$bn)	21.8	22.9
Imports (US$bn)	20.7	23.1
Trade Balance (US$bn)	*1.1*	*- 0.2*
Main Trading Partners (% of total value): Exports		
USSR	14.9	14.5
Sweden	14.1	14.3
UK	13.0	12.0
EC	*44.2*	44.0
Main Trading Partners (% of total value): Imports		
West Germany	16.9	17.4
Sweden	13.3	13.6
USSR	12.1	11.4
EC	43.5	44.7
Consumer prices (% rise pa)	5.0	6.6
Industrial wages (% ch pa)	8.2	8.7
Unemploymt (% of lab force)	4.5	3.5
Public external debt (US$bn)	6.2	6.2
Total reserves - gold (US$bn)	6.4	5.1
M1 growth rate (% pa)	16.1	12.8

Sources: IMF, Datastream, Economist Intelligence Unit

A crisis or just a downturn? asks **Robert Taylor**

Now the economy catches a cold

THE Finnish economy has moved into recession after a decade of phenomenal growth averaging nearly 4 per cent a year. But how deep its troubles will go and for how long remains unclear. Earlier this autumn Moody's Investor Service cut Finland's credit rating from AAA to AA1, reflecting the gathering gloom among forecasters about the country's immediate economic prospects.

During the 1980s Finland enjoyed one of the fastest economic expansions in the western era; now it threatens to limp along below the average performers.

As the Kansallis Banking Group noted in its latest economic outlook: "The party is over." Mr Antti Suvanto of the Bank of Finland admits: "It had to happen one day. It is difficult to adjust to stagnation. We had too much luck for too long a time. We face an inevitable and necessary period to rectify the imbalances in the economy." In fact, Finland faces its most serious *bout of economic trouble since* the mid-1970s.

The question is whether the country can escape with a soft landing or must prepare for something much worse. This will depend partly on what happens to the world economy as a result of Iraqi President Saddam Hussein's invasion of Kuwait but also on the success of the government's economic policy.

"Every day I ask myself the question: are we in a crisis or not?" says Mr Matti Louekoski, Finland's finance minister. "If *you look just at unemployment*, inflation and trade figures then the answer is No. But the economy is going down quickly now. I believe we are moving into a crisis."

Mr Suvanto at the Bank of Finland is more cautious. "We are not heading for a crisis," he avers. "But we can expect to have two difficult years of *low growth*."

Mr Pentti Vartia at the Research Institute of the Finnish Economy (ETLA) is more pessimistic. "We have had to put the brakes on," he says. "Consumption was growing much too rapidly." High interest rates of up to 14 per cent are hitting household consumption and housing investment has slumped.

The Ministry of Finance in its latest economic survey underlined the deterioration Finland can expect through 1991. The growth rate is set to fall to no more than 0.5 per cent after an increase of 2.5 per cent this year and rises of 5.4 per cent and 5.2 per cent in 1988 and 1989 respectively.

Unemployment is set to grow from around 3.5 per cent this year to between 4.5-5.0 per cent over the next 12 months. National disposable income is expected to fall by 1.5 per cent in 1991.

Consumer prices are set to rise by around 5.5 per cent next year compared with 6.0 per cent in 1990.

Next year's current account deficit is forecast to rise to FM26.5bn, 4.5 per cent of the country's gross domestic product. However, if oil prices *remain at around* $35 a barrel it seems likely to climb as high as FM30bn. Finland's net foreign debt will grow from FM108bn this year to FM132bn in 1991, which amounts to 23 per cent of the country's GDP.

A belated move to curb the spending of *local authorities*

The recession has already helped to improve the trade figures over recent months, with a fall in imports. There is expected to be almost no rise in imports during 1991 but a modest growth of 1.5 per cent to 2.0 per cent in exports.

The investment outlook is bleak. Last year there was a 12.5 per *cent increase in fixed* investments but the growth is down to 4.5 per cent in 1990 and there is expected to be a 5 per cent net decline in 1991 with a 20 per cent fall in property investment and 6 per cent drop in the industrial sector.

A survey last month by the Confederation of Finnish Industries among its company *members found half the* respondents predicted a growing recession, the highest figure in more than 20 years. Only 1 per cent of companies thought the economic outlook would improve in the near future.

The gloom is spreading across the country's industrial sectors to cover not just con*struction but also the forestry* industry, chemicals, metal and engineering as well as textiles. In September no more than 40 per cent of Finland's industry was operating at full capacity.

Mr Louekoski is determined to at least try and *stabilise the* economic deterioration.

☐ Domestic demand is to be restrained with a shift in productive resources.

☐ A continuation of a tight *incomes policy is seen as vital* for the government. "We must have discipline over wage increases," insists Mr Louekoski. The current two-year national incomes agreement provides for a 4.5 per cent rise in real purchasing power between 1989 and 1991.

Last year 3.5 per cent of that was paid out but next year's no more than 1 per cent has yet to be agreed. Mr Louekoski would like to see a rise as near to zero as possible for 1991 with the main boost to living standards coming from tax cuts.

☐ Efforts are to be made to raise Finland's saving ratio. The government will encourage this by a low final withholding tax to be applied to the taxation of interest incomes. The *exemption of long-term* deposits from taxation will continue.

☐ Government expenditure growth is to be contained through a belated move to curb the spending of local authorities, part of which at the moment is reimbursed by the central administration.

But with a spring general election on the horizon, the political pressures for a more relaxed approach to economic management have grown more *difficult to resist.*

The 1991 budget is going to be more expansive than Mr Louekoski's original intention with a 4.0 per cent growth in real terms in expenditure, amounting to around 1.3 per cent of GDP, mainly because of demands from within the coalition for higher social expenditure with improvements in old age pensions, home care for the old and sick and a reprieve for post offices due to close in remote rural areas.

Mr Lonekoski insists devaluing the markka is no answer to his current headaches. "You never do that in a downturn," he says. "You don't do it if you cannot control prices. Devaluation is not a suitable instrument now." In fact, as Mr Vartia at ETLA points out, Finland is will have more diffi*culty in resolving its present* economic problems because it now operates in the global financial system. The deregulation of the country's financial markets – in line with developments elsewhere in the Nordic region – will force Finland to carry through a strategy of fiscal austerity if it hopes to reduce its foreign debt.

President Mauno Koivisto and Soviet President Gorbachev in Helsinki earlier this year

The candid views of Britain's ambassador

Strains on the structure

Neil Smith, UK ambassador

MR Neil Smith, the British ambassador to Finland since earlier this year, is no stranger to the country. Married to a Finnish woman, he has spent at least a month every year there for the past 30 years and he served as commercial counsellor in the embassy in Helsinki from 1977 to 1980. His *long acquaintance with the* country provides him with a greater insight into how Finland has developed since 1960 than probably any other Englishman.

It is an old tradition in the British diplomatic service that incoming ambassadors send a formal dispatch back to London giving their first impres*sions of the country to which* they are accredited after three months of arrival in their new post. No doubt, Mr Smith's contribution was able to benefit from his long memories of an evolving Finland. Earlier this year he gave the flavour of his first impressions as ambassador in a speech to the Finnish-British trade association.

During his period of visiting Finland the country has changed fundamentally. Mr Smith recalled a car journey made as a young man in 1960 to his wife's parents' home in northern Karelia. "Many roads were still unsurfaced with deep and dangerous potholes and firmly followed the contours of the landscape," he said. "At *the brow of each hill the road* apparently disappeared. The farmers of northern Karelia and many other parts of Finland rarely had electricity, certainly had no car or television, had probably never been out of Finland and had possibly never even visited Helsinki."

By 1977, when he was commercial counsellor, he remembered: "Not only were the *roads greatly improved and the* farmers had new houses with electricity, but they also had a car and colour television and were enjoying state-supported holidays, sometimes out of the country." He added: "Today I find concrete bridges have replaced the road transport ferries, that many of the farmers I visited earlier have been *bought out of farming* by the state and that golf courses have proliferated on former farming land."

His impressions are confirmed by statistics he quoted. In 1960 over 18 per cent of Finns worked on the land but by 1989 the figure was down to 5 per cent. Over the same time those employed in the service *sector rose steadily from 29 to* 37 per cent. As Mr Smith argued: "Finland has achieved in the last 30 to 40 years what Britain and other older industrialised countries have taken over a century and a quarter to achieve – the transition from a largely agricultural to a largely service economy."

But it is during the 1980s *that change in the Finnish* economy was substantial in spite of worries about structural obsolescence. Mr Smith recalled that at the end of the 1970s the outlook for the forestry and paper industries was dismal and it looked as though the computer would bring the paperless society. "All the forecasts turned out to be wrong," he said. "The computer *brought about the biggest* boom papermakers have ever known.

"There were those who feared Finland was becoming too heavily dependent on the Soviet Union," added Mr Smith, but over the past six years the Soviet share of Finnish exports has fallen from 26 per cent to 15 per cent and 67 *per cent of all Finnish trade is* now with western Europe. "European integration will consolidate this change," he said.

"With a GDP per capita 50 per cent higher than that of the UK, Finland is now one of the world's wealthiest countries and it shows," went on Mr Smith. "Finns are now *enjoying the fruits of that* wealth; in 1989 4.9m of them took 5.3m holidays outside Finland."

But the ambassador warned that such "rapid change cannot be achieved without some strains on the structure" of Finnish society. He suggested it was "rather more difficult now to achieve consensus than *it used to be in industry or in* politics". He saw more confrontation in politics while "the old spirit of Finland together against the rest seems not so *strong as it was*; personal ambition being much greater." Mr Smith added: "The pressures of expansion and competition are making it perhaps less easy for businessmen to discuss things together than they did in the past."

However, the remark that aroused the most controversy with his Finnish audience was *his complaint about the high* cost of air fares between Finland and Britain. He said he would do all he could as ambassador to see them reduced. But Mr Smith has another priority – to make the British more aware of Finland and help improve the trade balance between the two countries.

Robert Taylor

DEREGULATION

Curbs may be eased

Timo Peltola, of Huhtamäki

RESTRICTIONS ON foreign capital continue to be the rule rather than the exception in Finland. But the need to generate capital to revive Helsinki's comatose stock market has encouraged some national industrial leaders to speak out against antiquated restrictions.

Even though the Helsinki Government has a favourable posture on foreign investment, the Restricting Act of 1939 continues to be an obstacle to foreign investment. The act says *that foreigners may own only* up to 20 per cent of a Finnish company and, with special permission, up to 40 per cent.

Not only are strict limits imposed on how much equity a foreigner may own but there are also implicit restrictions on industrial sectors in which a foreigner may not establish a company. These include forestry, mining, shipping, refining and securities trading.

Some two years ago, in a general atmosphere of financial liberalisation, foreign investors – and even Finns – were outraged when the government passed the Insurance Companies Act. Foreigners had been able to own 100 per cent of a Finnish insurance company, but this act limited their maximum stake *to 40 per cent.*

Mr Casimir Ehrnrooth, president of the powerful Confederation of Finnish Industries, argued that the law would harm Finland's image.

"I believe *the* law *went in* the wrong direction. It was a grave mistake because it got very adverse publicity and did not help to convince foreign investors about the seriousness of the Finnish *Government,*" says Mr Ehrnrooth, whose wealthy family has large stakes in Finnish industry.

Foreign investment has been small during the past decade. In 1989, it was only FM1.39bn, while Finnish companies invested a record FM11.79bn abroad. Finnish companies, apart from attempting to gain a foothold in the European Community, have been forced by high production and labour costs to invest greater sums of money outside their borders. During the past years, large companies such as Huhtamäki *and Nokia* have not made any major investments in Finland, but many outside the country.

Banks are responsible for illiquidity within the market

Finland has been criticised in the past for not being reciprocal enough – that it alone can buy up foreign companies without giving these countries *the same rights to purchase* Finnish companies.

Mr Timo Peltola, president of Huhtamäki, a large confectionery, packaging and pharmaceuticals group, was one of the *first industrial* leaders to speak out this autumn against these archaic restrictions. He argued that equity restrictions on Finnish companies had made them more indebted than west*ern European* companies.

"I have difficulties in understanding why we still continue to have restrictions (on foreign capital). We need more money to develop our industry and *one* way to get more capital is by opening the doors," Mr Peltola added.

However, opening up the Finnish economy will prove a legally complex and politically sensitive issue. Other factors which make it difficult to lift restrictions are the parliamentary elections next March and the outcome of EC-Efta talks over the European Economic Area *(EEA)*.

According to some analysts, restrictions on foreign investment have not helped anyone except to protect the large market shares which Finnish monopolies and oligopolies control over the market.

Mr Peltola believes that when restrictions on foreign ownership are lifted in the future, that could *undermine* the hold which banks have over industry. Nowhere in the Nordic region do banks have so large a control over industry as in Finland. Banks and insur*ance companies* have also been largely responsible for illiquidity within the market.

The lifting of all restrictions on foreign ownership of Finnish industry could encourage greater liquidity.

Since September 1, 1990, the Bank of Finland has allowed the sale of derivative instruments based on Finnish shares and warrants to foreigners. And parliament is expected to approve the right of foreigners to own restricted shares through mutual funds. Parliament is also likely this autumn to pass a law which will *allow* foreign banks to establish branch offices in Finland.

Mr Ehrnrooth, like many other Finnish industrial and political leaders, is careful about giving an *exact* timetable over how and when restrictions over foreign investment will be lifted. The government has appointed a committee to look into the Restricting Act. Its recommendations which also hinge over what concessions the EC will give Helsinki over *EEA*, will be made public in June 1991.

It is also unclear how much capital would come to Finland if the country lifted restrictions over foreign ownership. While such industrial leaders as Mr Ehrnrooth and Mr Peltola are careful not to speculate on such a figure, Mr Satnislav Rudcenko, vice president *of the London-based* Bankers Trust Company believes that in good times Finland could attract as much as $4bn a year in investment.

Mr Rudcenko argues that the close proximity of the Baltic republics and Leningrad offer good investment opportunities in Finland.

Apart from the major restructuring which Finnish industry will have to undergo to prepare for foreign competition, observers are optimistic that this will end up having a positive impact on some of the country's industrial sectors by making them more dynamic and less vulnerable.

Enrique Tessieri

INDUSTRY

A glimpse of 1992

THIS YEAR Finns had a glimpse of the far-reaching changes which 1992 will foster within Finnish industry. A spark was ignited when Metsä-Serla, the country's third largest forest group, surprised everyone in January by stampeding a hostile takeover of United Paper Mills (UPM), Finland's No 4 forest group.

The Metsä-Serla move speeded up the birth of Repola, a forest, engineering and plastic packaging group.

After a pitched battle by UPM's main owners – Kansallis-Osake-Pankki (KOP), one of the country's largest commercial banks – Metsä-Serla ended up paying FM2.3bn for a 30 per cent stake within UPM. Difficult negotiations with KOP followed and, finally agreeing to a 25 per cent stake within Repola, Metsä-Serla gave its blessing last June to the birth of Finland's largest quoted company.

Repola is made up by the merger of Rauma-Repola, a large forest and engineering group, and UPM. Repola's consolidated net sales are expected to reach $6bn.

Just like Repola, Metra, a building materials, diesel and electronics group, will become operational at the start of 1991. Metra, however, was created in more tragic circumstances, between Lohja and Wärtsilä, whose marine division, one of Europe's largest shipyards, filed for bankruptcy last year.

Rather more than 80 per cent of Finland's export earnings of FM99.8bn in 1989 were generated from its timber industry (40 per cent) and metals industry (42 per cent). Significant falls in pre-tax profits of large Finnish companies during this year in the face of 1992 have placed greater pressure on them to find more practical ways of consolidating and increasing market shares and volume while rationalising investment costs.

Mr Matti Kankaanpää, president of Valmet, a state-owned paper machinery and engineering group, believes that the ownership structure of the Finnish metals industry is one important reason why this sector has seen fewer mergers than has been the case within the forest sector.

The country's top three metals groups, Outokumpu, Valmet and Rautaruukki are state-owned while Kone, a lifts and cranes group, is owned by the wealthy Herlin family.

Mr Kankaanpää believes that Wärtsilä Marine's fall from grace also had a negative impact on the metals sector. Valmet was 30 per cent owner of the now-defunct shipbuilding company.

The Valmet president also believes that privatisation of state-owned companies should continue even further in the following years. Apart from the negative effects of a strong markka over national companies like Valmet, illiquidity of the market has also been a major cause for concern.

The market's illiquidity has been a major cause for concern

"I believe that after the March (parliamentary) elections, the government will draw up some general guidelines over privatisation," says Mr Kankaanpää. "I think the government may gradually relinquish its majority stake within state-owned companies and with a minority stake it could take part in the development of the Valmet group."

Finland's agricultural sector, which is also on the verge of a dramatic shake-up and is preparing for a significant drop in farm support and greater competition after 1992, has forced Valmet's tractor division to look for new markets such as in Portugal, where this month it set up a large tractor plant.

Considering that a global recession and a downturn in the forest industry have directly affected the performance of Finnish forest and metals groups, analysts keenly await 1991 to see which of these companies will end up being merged.

The roughly 30 per cent takeover of UPM by Metsä-Serla for only FM2.3bn was taken as a clear warning that even large companies (by Finnish standards) are vulnerable to hostile takeovers. Mr Niilo Hakkarainen, UPM managing director, was furious back in January: "One of the most striking facts about the (Metsä-Serla) acquisition is that one can purchase over a quarter of UPM for little more than the cost of a single paper machine."

However, legislation restricts foreign companies from establishing themselves in key sectors of the Finnish economy such as forestry, mining and refining and hostile takeovers by foreigners are impossible. Since high-voting restricted shares are well-guarded and in friendly hands, it is even difficult for a Finnish company to mount an aggressive takeover.

Unlike the other Scandinavian countries, Finnish banks have a powerful grip on industry. Complex networks of control spread through foundations, insurance and holding companies. It is not unusual for a Finn to refer to a company by the sphere of influence to which it belongs.

But analysts believe that when restrictions on foreign ownership are lifted, this will have a positive effect on liquidity within the market at the expense of these banks.

With 1992 approaching and uncertainty over the outcome of talks between the EC and Efta over the European Economic Area becoming more acute, Finnish companies have also been investing large sums of money abroad while planning their future strategies, which certainly include forming mergers and alliances.

According to some unofficial estimates, Finnish companies are expected to invest even greater sums of money outside Finland in 1990 than last year's sum of FM11.79bn, which was 48 per cent higher than in 1988.

Mr Tauno Matomäki, president of Repola, also believes that internationalisation places pressure on Finnish companies to merge and form bigger conglomerates. According to some analysts, the number of forest groups within Finland will drop in the next few years from around 11 to three or four large ones.

Mr Matomäki feels that the forest industry is already well ahead of the restructuring game, while the metals industry lags behind in this development. "But if we look at the business directory of (metals) industry in the year 2000, the list will certainly be much shorter," he concludes.

Enrique Tessieri

Robert Taylor profiles the country's largest private company

Nokia's European thrust

NOKIA, Finland's largest private company, went through a period of uncertainty after the suicide of its charismatic chairman and chief executive, Mr Kari Kairamo, in January 1989. But at a time when most of Finnish industry is bracing itself for leaner times, it looks in much better shape than most to do more than just survive.

Its results for the first eight months of this year showed a FM659m operating profit, compared with FM482m for the same period of 1989. For the year as a whole Nokia forecasts its profits performance will be in line with last year's total of FM978m.

The company continues to have a diverse range of interests, mainly covering consumer electronics, mobile phones, telecommunications, cables and machinery, and information technology but also with limited activity in tyre production, chemicals and power generation.

Its six business sectors are experiencing mixed results at the moment. Market demand remains surprisingly high for Nokia's consumer electronics products as well as for its mobile phone sales and telecommunications. This has helped to offset the company's continuing troubles with Nokia Data – its information technology division – and a decline in its bleaching chemical sales because of a decline in its pulp production market.

The company's current performance is undoubtedly benefiting from the fact that the main markets for its consumer electronics products are not in the increasingly recession-hit countries – Britain, the US and Sweden – but on the continent of Europe, particularly in Germany, where demand is continuing to hold up well.

The company president, 41-year-old Mr Kalle Isokallio, seen by many as heir-apparent to Mr Simo Vuorilehto when his period as chief executive ends in 1993, believes the wave of company acquisitions and strategic alliances by Nokia in 1986-88 has strengthened the company's capacity to hold its own in the present downturn.

"It was good timing though perhaps more due to pure luck than design," he admits. "The geographical spread of our purchases have at least given us the opportunity to be a little less vulnerable than others."

Mr Kairamo's single-minded drive into western Europe has transformed Nokia from just the largest Finnish private group into a transnational corporation. Some 70 per cent of net sales now come from overseas activities with half the company's 37,000 employees working outside Finland and production facilities in 15 of the 33 countries where Nokia operates. The head office for its consumer electronics division is based in Geneva with cables and machinery run from Lausanne and data equipment in Stockholm.

Demand for consumer electronics products remains high

Under Mr Kairamo, Nokia made the conscious leap forward into the wider global market in the early 1980s through the creation of joint ventures in production and marketing of cellular mobile phones with Tandy of the US and the French company Matra, making itself a world leader. In 1984 Nokia moved into consumer electronics through the purchase of Swedish Luxor and Finnish Salora colour television companies.

But it was in 1987 that the expansionary pace quickened with the acquisition of Oceanic, the French TV manufacturer and the creation of the pan-European digital cellular system standard with the French telecommunications group Alcatel and AEG of Germany. In December that year the company bought the television division of German Standard Elektrik Lorenz, turning Nokia into the third biggest European TV manufacturer behind Philips and Thomson.

This was followed in January 1988 by the purchase of the ailing data systems division of Ericsson, giving the company a commanding position in the Nordic market as the producer of computer terminals.

Mr Kairamo's legacy has taken time to absorb but the company showed it was not just content to consolidate its position when last year it formed Europe's largest soft tissue production joint venture with James River of the US and the Italian Ferruzzi group, Montedison.

"Our acquisitions forced us to restructure," explains Mr Isokallio. In the spring of last year the company was decentralised and grouped into six independent business units under the financial control of Nokia's Helsinki corporate headquarters. The workforce has been slimmed down since 1988 by 8,000 jobs while productivity per employee has improved significantly. Investment in research and development has been kept up despite business difficulties and Nokia has made moves to strengthen its financial position.

For his part, Mr Isokallio takes an optimistic view of the company's future, talking of its Finnish "fighting spirit". Thanks perhaps mainly to the foresight of Mr Kairamo, Nokia should thrive in the 1990s.

RESTRUCTURING

Metra set to make its mark

THE finishing touches are now being put to Finland's latest industrial holding group. At the start of next year Metra will make its appearance on the corporate landscape as the result of the merger between Wärtsilä, the diesel engine, securities and sanitary equipment manufacturer and the building and electronics group Lohja, writes Robert Taylor.

The new industrial conglomerate is expected to have initial net annual sales of FM10bn, with 65 per cent of them outside Finland and 19,000 employees, half working in production plants abroad.

The restructuring, which is one of the largest ever carried out in Finland, was first envisaged in the summer of 1989 but Metra's actual gestation period has taken much longer than either of the parent companies expected. This is mainly due to the delay enforced on the merger by the attempt of Wärtsilä's divested shipbuilding operation to acquire a guarantee covering disputed debts.

The shareholders of Wärtsilä and Lohja actually gave their approval for the planned merger last March but the question was only finally settled on October 11 when the dispute was abandoned.

Now Mr Georg Ehrnrooth, Metra's chief executive, and his colleagues can concentrate their energies on preparing the new company for its launch. Indeed, the actual merger process has been relatively trouble-free. "It has not been very difficult because there is really no overlapping in the business activities of the two companies," says Mr Christian Andersson, the company's executive vice president. "This is a merger of equals, not a takeover of one by the other."

However Wärtsilä and Lohja enjoy distinctively different corporate cultures and it is going to take time for a new Metra identity to grow.

For its part, Wärtsilä has a strong global presence outside Finland with 85 per cent of its customers being foreign and half its 11,000 employees working abroad. It is an international leader in medium-speed diesel engine manufacture, and that makes up about 41 per cent of the business.

But Wärtsilä also makes bathroom and sanitary ware through its subsidiary Sanitec, which constitutes a further 20 per cent of its activities accounting for a sizeable chunk of the global market in vacuum sewage systems for planes, ships and trains. The third leg of the company rests on the production of access control and lock systems through its Abloy Security subsidiary which accounts for 23 per cent of Wärtsilä's activity.

The company through Cimcorp also supplies robot systems, factory control systems and special machinery for factory automation with customers mainly in the auto, aerospace and electronics industries.

Nearly half the company's sales of FM6bn last year were to western Europe (30 per cent to the European Community and 19 per cent to Norway and Sweden) with 15 per cent in the home Finnish market, 11 per cent to the Soviet Union and 9 per cent to the US.

By contrast, Lohja is more domestic in its product areas with a heavy concentration on the manufacture of building materials and concrete which accounted for 72 per cent of the company's sales last year. But it also makes caravans and has an interest in electronics, though this is the weakest area of the business at the moment.

The new structure of what constitutes the Metra industrial holding group will be decentralised through the creation of 10 self-sufficient divisions or business units, some of them wholly-owned subsidiaries. Metra intends to establish itself as a global company with a firm European power base. "Our focus will be western Europe," says Mr Andersson. "That is where we are going for acquisitions."

The headquarters of Wärtsilä Diesel were moved to Strasbourg this year as an indication of its wider interest while only last week Sanitec bought a majority stake in the French Allia group, which makes it the second largest producer of bathroom products in Europe. The company already has production plants in France, Holland and Germany.

Metra hopes to build on the product range that it has inherited from Wärtsilä and Lohja. "We aim to consolidate around our main business areas," says Mr Andersson. The publication of the company's strategy plan will give a stronger indication of how Metra sees its potential growth but it intends to give further evidence of the determination of Finnish industry to make its European mark in the 1990s.

Robert Taylor argues for a wider look at the country's future

"Don't rock the boat" leads to shallow political debate

FINLAND'S political scene looks outwardly the most placid in the Nordic region at the moment. A "grand coalition", mainly of Conservatives and Social Democrats – under the premiership of Conservative Harri Holkeri – has governed the country with surprisingly little inner conflict since March 1987. It is quite possible that next March's general election result will confirm the government in power for a further four years.

Admittedly, there have been a few minor skirmishes. Tensions rose between the coalition partners earlier this autumn, for example over a difference of opinion about the restructuring of the shipbuilding industry. But at no moment has the coalition looked in danger of collapse.

The apparent lack of domestic controversy has already led many commentators to start speculating on who will be the likely runners for the country's next presidential contest when Mr Mauno Koivisto comes to the end of his second six-year term in February 1994.

Harri Holkeri, prime minister (left) and Ilkka Suominen

The ideological bite has suffered from the Communists' demise

No doubt, the Finnish calm reflects a genuine popular consensus, with no fundamental divisions in the country. The dramatic demise of the Communist Left (down to 7 per cent now compared with 13 per cent in 1987), which used to be relatively strong until a few years ago, has taken much of the ideological bite out of contemporary debate. The ruling Social Democrats have grown ever more pragmatic and favourable to the market economy while the Conservatives (known in Finland as the National Coalition party) – who had been out of office for 21 years – accept the need for a social dimension to their commitment in individualistic principles.

As the party's leader, Mr Ilkka Suominen, and also trade and industry minister, told visiting European right-wing leaders to a conference of the European Democratic Union in August, both Conservative and Social Democratic voters "are, in the regional and social senses, very close to each other". Most urban local authorities have been dominated by a coalition of the two for some time, particularly in the south and west of Finland.

But Mr Suominen also insists that there remains what he calls an "ideological divide" between his party and the Social Democrats, though it has not been emphasised during their period in power. He stresses that the Conservatives have less interest in inflating the public sector, believe in "the best possible services at reasonable costs", freedom of choice in schools and "the availability of alternatives in family policy".

However in the opinion of Mr Pekka Kivela, the Conservative party's general secretary, the major ideological differences have become obscure in Finland, mainly because the Social Democrats have moved more decisively in a market economy direction and both coalition partners "are motivated by common goals related to our welfare society". "Practical means are the biggest field of contention in day-to-day politics," he says.

No doubt, the two main coalition parties will find enough differences between themselves to reassure their supporters in next year's general election campaign, but these are unlikely to be serious enough to endanger the probability of the two of them continuing in office together for another four years. But in the view of one senior Finnish observer: "We have depoliticised our general elections."

"Our stability has produced good results," maintains Mr Kivela. "No dramatics have occurred. We have no reason for panic."

But then Finland's constitution makes it virtually impossible for any one party alone to govern the country, since the concept of multi-party government lies at the heart of the Finnish political system. It requires a two-thirds majority in the 200-strong parliament for any major piece of legislation to come into law while the proportional representation system encourages party fragmentation, ensuring there are nine parties in the present parliament.

However, there are always losers in Finnish politics. At the moment the Centre party is the main opposition. It has 40 seats and polled 17.6 per cent of the voters in the 1987 general election. The opinion polls currently suggest it will do much better than that in next year's contest but it seems doubtful whether the party can return to the levels of support it used to enjoy.

Historically the Centre has been the most dominant party in modern Finland and in coalition for most of the period since independence in 1917. Its new leader, 36-year-old Mr Esko Aho, who was elected to the post earlier this year, argues that the Centre draws on two distinctive traditions – the defence of rural values and the advocacy of "social radicalism", which "live together" in the party.

The resulting blend of market economics and social justice often makes it hard to differentiate from the other two main parties but the Centre has a strong commitment to greater decentralisation and emphasises a belief in the value of small communities, regional diversity and small-scale private enterprise.

"We have a strong national identity," declares Mr Aho. The party remains faithful to the ideas and practice of its legendary leader, Urho Kekkonen, who held the presidency from 1956 to 1981. In its foreign policy the Centre still maintains a very close relationship with the Soviet Communist party and Mr Aho speaks warmly of the old alliance. "It is essential we support the Soviet Union in its reconstruction," he declares.

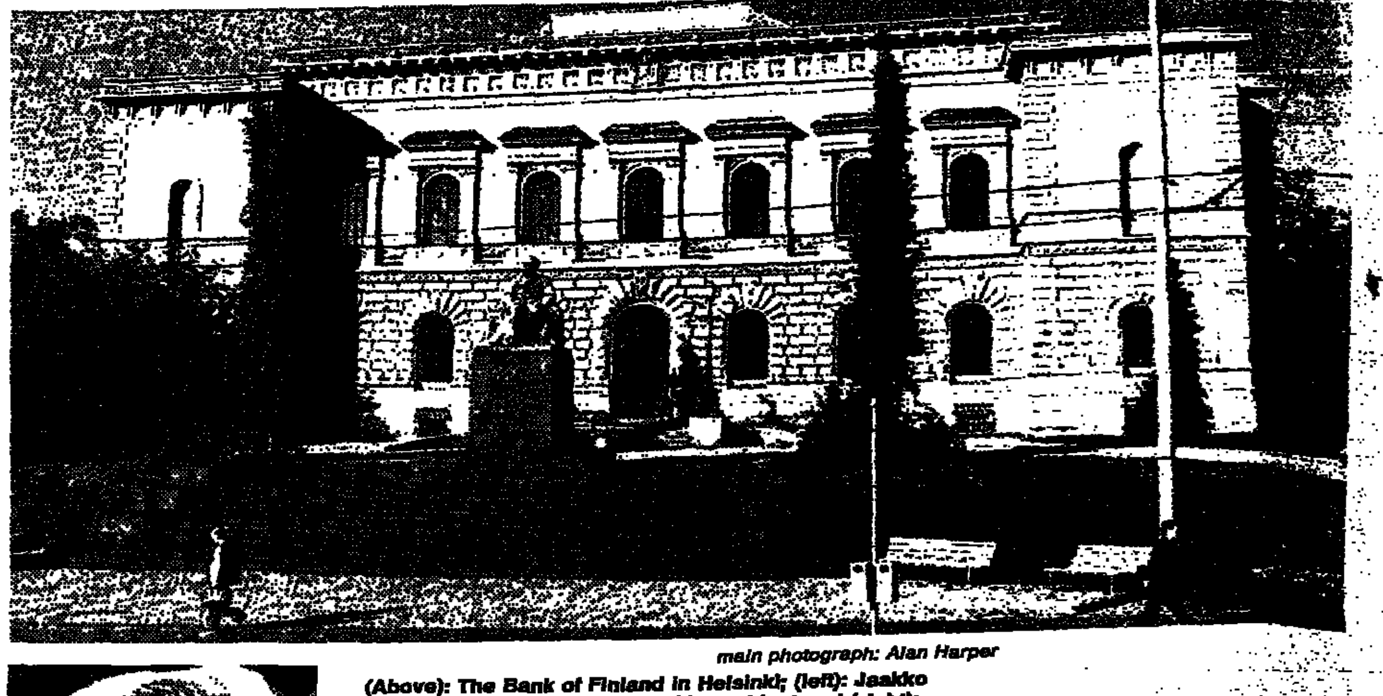
The placidity of Finnish politics stems from a deeply emotional desire in the country to uphold national unity above any other consideration. As a result, however, the public debate is much less rigorous and far-reaching than it ought to be at a critical moment in Finland's post-war history. But surrounded by instability and uncertainty to the east and worries about the country's future relations with western Europe, the main political parties are content to avoid division on the key issues.

An emotional desire to uphold national unity above all else

Indeed, Finland's leaders can often give the impression they want as few serious questions as possible to be decided through the ballot box. "There is a strong tendency in this country to believe you should not rock the boat but keep it on an even keel," admits one senior observer.

As a result the perceptions of Finland's rather closed and slow-moving political world seem out of tune with today's changing public opinion. Next March's general election seems unlikely to offer the voters the clear choice they deserve because that is not the Finnish way and whoever governs in coalition for the following four years will be decided in horse-trading after the results are in.

This is a pity for what the country requires more than anything is less artificial political dog-fighting about personalities or narrow technical questions but a wide-ranging debate on its future. It looks as though the price of ensuring the consensus and compromise built into the Finnish political system has grown too much for its own good.



main photograph: Alan Harper

(Above): The Bank of Finland in Helsinki; (left): Jaakko Lassila, Kansallis-Osake-Pankki president and (right): Ahti Hirvonen, president of the Union Bank of Finland

Financial services after 1992

Upheaval on the way for a lot of banks

THE COMBINED eight-month pre-tax profits of Finland's five largest banks – Kansallis-Osake-Pankki (KOP), Union Bank of Finland (UBF), Skopbank, Okobank and state-owned Postipankki – have plunged by 34.3 per cent to FM1.46bn from FM2.22bn the previous year.

While Okobank, a co-operative bank, and Postipankki reported an improvement in their eight-month pre-tax results, simultaneously decreasing their credit losses, Skopbank, a savings bank, was the first one this year to register a large loss – of FM115.9m – in its eight-month pre-tax result against a profit of FM404.9m the previous year.

Skopbank's poor result forced the Bank of Finland to intervene and support a rescue programme, which the savings bank will implement, to put it back on a better financial footing. Part of the losses which Skopbank incurred came from poor investments in the stock market. These sour investments have forced the country's 160 savings banks to come up with FM1.8bn to help bail Skopbank out of its troubles.

The sharp drop in share prices at the Helsinki Stock Exchange has also affected the share portfolios of other leading banks, including KOP and UBF.

Credit write-offs have also continued to grow, rising by 17 per cent during the first eight months of 1990 to FM904.1m from FM772.7m. Mr Peter Fagernäs, a KOP director, expects credit losses at all Finnish banks to rise over last year's level of FM1.8bn.

The upheaval within the Finnish banking sector is very real: it is estimated that between 6,000 and 10,000 bank employees will end up losing their jobs and as many as 500 branch offices will be closed in the following years.

But even if it is the aim of Finland's banks to prepare for greater competition, which the free moment of capital will foster after 1992, analysts agree that the shake-up will have a positive effect on these banks: it will turn them into more profitable and dynamic institutions.

Both KOP and UBF, Finland's largest commercial banks, have already taken serious steps to cut overheads. Last month, UBF unveiled a plan to forge closer links with Finnish insurance companies.

Thousands of bank employees will lose their jobs and 500 branch offices are set to close

Finnish legislation at present prohibits an insurance companies from owning more than 20 per cent of a Finnish bank, while a bank can own only 10 per cent of an insurance company. However, by forming a new parent company, which would be a financial services group, UBF and insurance companies could bypass these troublesome ownership restrictions.

The creation of a new financial services group, which would be called Unitas, currently a brokerage company owned by UBF, would help UBF save hundreds of millions of Finnish markkas annually, according to the bank.

UBF has also announced that as of January 1, 1991, the bank will be divided into two divisions: Yhdyspankki, which will take care of domestic banking, and Union Bank of Finland International, which will run its international operations. KOP has also taken similar steps to restructure its organisation.

Even if closer ownership and co-operation links between banks and insurance companies are not far off, Mr Jaakko Lassila, KOP president, does not rule out the possibility of Finnish banks forming closer ties with their Scandinavian counterparts.

Mr Lassila, as well as Mr Ahti Hirvonen, president of UBF, rebuff speculation that their banks would end up merging in the future. Both agree that such a move would be unhealthy since it would leave Finland with only one large bank.

Contrary to other Scandinavian nations, Finnish banks – especially KOP and UBF – continue to have a powerful influence over the economy. Their ownership links within Finnish industry extend in complex networks through foundations, holding and insurance companies.

While Finnish banks are attempting to raise efficiency by lowering costs, Mr Matti Purasjoki, who heads the Office of Free Trade, believes that the lack of any real competition in some sectors of the Finnish economy like banking has had a more negative than positive effect. "This predicament (lack of competition) has distorted the market and made these banks fat and lazy," says Mr Purasjoki.

Finland is one of the most over-banked countries in the Nordic region. At the end of last year, there were no fewer than 550 commercial, savings and co-operative banks with a total of 3,499 branch offices to serve a small population of just under five million, albeit spread out over a large geographic area.

The base rate is another relic of the protected and regulated days of Finnish banking and is costing banks a lot of money. Both Okobank and Skopbank caused an outcry from their clients this autumn when they unsuccessfully attempted to raise loans which were linked to 8.5 per cent base interest rates to Helsinki interbank offered rate (Helibor), which presently stands at around 14.5 per cent.

Mr Kai Suomela, a KOP first vice president, believes that large branch networks and the difference between the base and Helibor rates are serious problems for Finnish banks. "The disparity between the base and Helibor rates is costing KOP hundreds of millions of marks in (interest) losses and for all Finnish banks this amounts to billions of marks in losses," he says.

The disparity between base and Helibor rates "costs the banks billions of marks in losses"

Even if some Bank of Finland officials consider Mr Suomela's estimates to be on the high side, the proximity of parliamentary elections in March 1991 rules out any possibility of scrapping the base rate for the time being. A parliamentary committee is now studying different models whereby the base rate would monitor more closely Helibor rates.

Enrique Tessieri

Repola to be Finland's largest quoted company

Birth of a healthy giant

MR Tauno Antero Matomäki, the new president of Repola, Finland's largest quoted company, has been exceptionally faithful to his employer. It was 23 years ago that he joined Rauma-Repola, a forestry and engineering group, and he has not changed employers once, writes Enrique Tessieri.

Repola, a forest, engineering and plastic packaging group formed by a merger between Rauma-Repola and United Paper Mills (UPM), a large forest group, is a direct copy of the Finnish economy, which receives the bulk of its export revenues from forestry and the metals industry.

Repola will comprise three divisions: UPM, which is expected to have net sales of \$3.7bn; Rauma, the group's metal and engineering division, which will generate \$2bn and a plastic packaging division, W. Rosenlew, with sales of \$500m.

The birth of Repola was planned long before Metsä-Serla, the country's third largest forest group, surprised everyone last January by attempting a hostile takeover of its rival UPM.

After the dust settled, Metsä-Serla ended up spending FM2.3bn for a roughly 30 per cent chunk of UPM. In exchange for a 25 per cent stake of Repola, Metsä-Serla gave its blessing to the merger.

"I don't know, but it sounds odd and illogical that Metsä-Serla wanted to own only 30 per cent of UPM. But from an outsider's viewpoint, I would think that Metsä-Serla's goal was to become a majority shareholder with more than 50 per cent (of UPM)," explains Mr Matomäki.

The 53-year-old head of Repola, who holds a master of science degree in engineering, hints that Metsä-Serla's UPM move has brought to an end those days when Finnish industry was characterised by gentleman's agreements. Now it is every Finnish company for itself, he says.

Like other Nordic countries, Finland has been criticised in the past for having too restrictive laws against foreign investment and ownership of Finnish companies. However, as 1992 approaches, many of these restrictions are expected to disappear.

"We should start talking more on how to get more foreign investment to Finland rather than on how to restrict such investments. I have not excluded the future possibility of having a foreign partner (within Repola)," says Mr Matomäki.

Considering the size of the Finnish market, Repola is truly a giant – among very few giants. The conglomerate's 35,000 employees and an estimated \$6.2bn in annual sales put it ahead of Nokia, a consumer electronics group, which up to now was Finland's largest quoted company with net sales exceeding \$5bn in 1989.

Even if in Finnish terms Repola is an exceptionally large company, Mr Matomäki does not believe that it is too large to manage. He explains that size will give Repola strength. According to him, the general tendency of Finnish companies is to merge and form bigger industrial units.

Repola investments have grown in the last year, rising from just over FM3bn in 1987 to FM4.5bn in 1988 and FM5bn in 1990. Mr Matomäki believes that his company could afford to cut this level of investments significantly.

According to the Repola chief, the recession which has hit the Finnish economy could last as long as three to four years. He feels no new investments will be necessary since UPM has already made significant investments in upgrading its paper machines and modernising equipment.

Mr Heikki Hakala, the future executive vice president of Repola, expects that UPM's SC paper production could expand in the future.

Repola, which will begin operations on January 2, 1991, will be one of the few Finnish companies which is quoted on the London Stock Exchange. Mr Matomäki says that one of the positive characteristics of Repola is that there are no "sick or dying units," and that the company is made up of "healthy and modern units."

But the issue of generating capital within Helsinki's comatose stock exchange is a source of future anxiety. Large Finnish companies such as Repola cannot depend only on the Helsinki exchange for their future capital needs.

Though Mr Matomäki believes that by the year 2000 the list of metal companies will have dwindled, he also forecasts real growth for Repola.

"If a corporation can be managed in a healthy way there has to exist a bit of growth. If real growth is between 2 to 3 per cent and inflation is 5 per cent, total growth would be 7 to 8 per cent. That would be enough," he concludes.

MANAGEMENT: Marketing and Advertising

Revitalising a brand

Looking back to go forward

When Belgium's largest brewer was looking for ways to put new life into home sales of its best-known beer, it looked to its heritage to create an effective marketing strategy. **Philip Rawstorne** reports

Four stages of label from original (bottom right) to the latest (top left) which adorns the new bottle design

Interbrew, Belgium's largest brewer, has reversed the decline in its home market of Stella Artois, its best-known beer. The brand's reputation has been revived by a marketing campaign that draws on the company's heritage. With sales now climbing, a strong base has been established for a more vigorous international expansion.

Two years ago Interbrew decided that it would have to look beyond its national boundaries for growth. It had realised that – in common with its European competitors, Heineken and Carlsberg – it faced a limited home market.

Half its annual beer sales of $1.45bn are in Belgium, compared with Heineken's 14 per cent in the Netherlands, and Carlsberg's 30 per cent in Denmark.

Stella Artois, already an established brand in some export markets, was the obvious choice to lead the company's worldwide sales drive. But in Belgium itself, sales of Stella, once market leader, had been slowly declining for 10-15 years. Frequent changes in advertising themes had failed to stir a revival. One campaign had been widely acclaimed for its creativity, but with a strong generic focus it "probably did more to help our competitors than the Stella brand," says Tony Desmet, director, corporate planning and strategy.

Repeated blind tastings of the beer revealed no problems with the product itself. But Interbrew's consumer research showed a strong polarisation of attitudes towards the brand. While some 40 per cent of consumers declared themselves fans, an equally strong body of opinion dismissed Stella as "a synthetic beer" . . . "a factory beer" – a beer, in short, without status.

Such consumer perceptions, Interbrew found, were contributing to a decline in employee morale. If Stella Artois were to achieve international success as a premium lager, the brewer decided, it was essential that its reputation for quality should be restored, and its sales improved, in its home market.

To carry out this task of rebuilding the brand, the group turned to a British design company, David Taylor Design Management, which had worked on brand and corporate identities for international clients such as Dunhill, Rothman, Calvet and Black & White Scotch whisky.

Taylor's team began by taking a close look at how the lager – first launched as a Christmas speciality in 1926 – was labelled, packaged and generally presented.

"Design goes far beyond decoration," Taylor says. "It must emphasise, communicate, and differentiate. It must go much further than simply identifying the product." Every single design element must work as hard as possible to convey exactly those values that the manufacturer wishes his customers to recognise and absorb."

Stella's weakness, Taylor concluded, was that its original identity and values had been eroded by successive attempts to modernise its packaging over the years. All sense of the beer's heritage had been lost.

The bottle had been designed primarily for efficiency on the filling line; the shape of the label was reminiscent of the 1960s; the date of the Leuven brewery's origins, 1366, could have been mistaken for a production code number.

The type-face used to display the brand name lacked distinctive character; and the chevron symbol conveyed nothing about the roots of the brand. "The symbol was more appropriate for a petrol station or a construction company, or even a shipping line," Taylor says.

Other symbols of Stella's heritage had been neglected or ignored – the Horn trademark of the brewery, the star that had appeared on the label of the first Christmas beer, various medals awarded for excellence.

Taylor's team offered three possible designs for Stella's new label. The first made only slight changes to the existing label with its chevron symbol: the second recalled the clean, square format of the label that was used during the brand's big growth period in the 1950s.

The third option went back to the roots of the brand in 1926 – an oval beer label, featuring the star and the horn brewery symbol.

It was this that drew the most favourable response in consumer testing. Consumers saw it, somewhat paradoxically, as both classic and relevant to modern values.

The label design was further refined, emphasising the beer's quality and heritage: the golden horn symbol, amid barley and hops and the 1366 date more boldly displayed.

An abbreviated version of the design was created to serve as a branding device for the brewery's vehicles, crates, glasses, and stationery as well as the signs of its 10,000 outlets in Belgium.

A new longer-necked bottle was developed, based on a period design but adapted for the mechanics of the bottling line.

The 18 months of design work cost Interbrew £350,000 to which was added the undisclosed cost of implementation, including the replacement of 42m bottles, 1.75m new crates, and the decoration of 250 vehicles.

Supported by a £4m advertising and promotional campaign – devised by McCann Erickson to echo the heritage theme with television commercials, cinema advertisements and posters featuring horse-drawn brewers' drays in the Belgian countryside – Stella Artois was relaunched in its new trappings last year.

Eleven months after the relaunch, total sales volume had increased by 7 per cent against Interbrew's target of 4 per cent, and compared with a 4.2 per cent decline in the previous 11 months. Draught sales were up by 2.4 per cent but sales of bottles and cans – where the design changes were more visible – had risen by 16.5 per cent.

Market share, measured by Nielsen, the trade research company, showed Stella had gained 2.3 per cent to 13.6 per cent.

Interbrew's own tracking studies showed that a majority of Belgium's beer drinkers had noticed the changes, and 46 per cent had reacted favourably. With a continuing rise in the brand's reputation, sales this year are expected to increase by around 10 per cent.

The new brand identity has also been introduced into 50 export markets; but not yet into the UK where Whitbread, which handles Stella Artois under licence, has established its premium position by marketing it as a "reassuringly expensive" lager.

Confident of Stella's renewed reputation, Interbrew this year called on the David Taylor team again to design the labelling and packaging for an extension of the brand into the fast-growing alcohol-free beer market in Belgium and France.

Taylor has designed a stronger version of the parent brand's label, in green and silver, for the no-alcohol brew. "The consumer should not get the impression that the drink is simply a pale imitation of the original," he says.

Beware the eastern promise

A unified Europe presents opportunities for western advertising agencies, but, reports **Alice Rawsthorn**, their approach has been mixed so far

"It depressed him, on crossing the Czech frontier, to see the lines of barbed wire and sentry boxes. But he noted, with a certain relief, that there were no more advertising billboards."
Bruce Chatwin, Utz.

Utz, the eponymous hero of Bruce Chatwin's novel, returned to Czechoslovakia long before its peaceful revolution. If he returned today he would find a very different vista: no barbed wire, fewer sentry boxes, but lots of advertising billboards.

Eastern Europe has now become one of the most active areas of expansion for the international advertising industry. The names of Saatchi & Saatchi, Ogilvy & Mather, Young & Rubicam and McCann-Erickson are now emblazoned on doors in Prague, Warsaw, Moscow, Budapest and Belgrade.

These agencies see expansion into the region as yet another part of their international advertising networks. "We have to service our clients wherever they operate," says Michael Meyer, head of McCann's interests in the region. "If our clients move into eastern Europe we must be there too."

The eastern European advertising industry is still immature. It is not really a formal industry, but a motley assortment of western joint ventures and local start-ups.

Y&R has opened offices in Moscow, Prague and Budapest. McCann is involved with joint ventures in Budapest, Zagreb and Moscow. It is about to open an office in Warsaw and plans one in Prague next year. Saatchi has established joint ventures in Prague and Warsaw. It has also acquired majority stakes in agencies in Budapest and Belgrade.

D'Arcy Masius Benton & Bowles already has a joint venture in Moscow and is negotiating to set up in business with its working partners in Prague and Budapest. Ogilvy & Mather, already involved with joint ventures in Moscow and Budapest, recently created a position of head of its operations in eastern Europe with a brief to expand its activities there.

The start-ups and joint ventures in eastern Europe are not advertising agencies in the conventional sense. Consumer advertising is, after all, something of an anomaly in economies where consumer goods are so scarce that they are snapped up as soon as they appear on the shelves.

There is some media advertising in the region, but it tends to be structured differently from advertising in the west. Y&R, for instance, is running a campaign for Du Pont in the Soviet Union which is aimed at increasing distribution, rather than raising consumer awareness.

Some of the new breed of eastern European agencies are involved with sales promotion and events organisation. Others are more concerned with preparatory work – market research and analyses – than advertising.

"It is just not possible to barge into eastern Europe and act as though you are there to teach people how to run a western agency," says Andrew Fraser, business development director of Saatchi & Saatchi Advertising Worldwide. "You cannot go in with any preconceptions. You have to approach the market on a genuinely collaborative basis."

The cost of setting up an agency is comparatively low. Salaries are cheap and so is property. It costs around £60,000 to £70,000 to set up a decent-sized joint venture in a city such as Budapest.

However, the logistical problems are enormous. One is the slow progress of the domestic economies, particularly since the current rise in oil prices has aggravated the problems of inefficient industries and heavy debts. Y&R is delaying its plans to move into Warsaw because of concern about the Polish economy.

There are also infrastructural weaknesses; communications is a serious problem. It is difficult to get telephone lines. There are long delays involved in making calls to Czechoslovakia, Hungary and Yugoslavia. It is even more difficult to phone Poland or the Soviet Union.

Y&R recently succeeded in getting a second line for its Budapest office. One line is for the phone, the other for the fax. Placing calls to Hungary is so difficult that the easiest way for Y&R to contact its Budapest office is to send a fax saying "please phone".

Similarly, there are the day-to-day problems of operating in an immature market. One agency says it was recently approached by no fewer than four poster contractors in Czechoslovakia, all claiming "exclusive" rights to poster space in Prague airport.

Western agencies often do not understand the idiosyncracies of local customs. One recalls sending a video cassette from its Yugoslavian office to a regional TV station. The station, which is based in Serbia, refused to accept the cassette because it had been sent from Croatia.

It can be difficult to find suitable local employees. There are relatively few people in eastern Europe with experience of advertising or marketing. The western agencies have to invest heavily in training – and in sending experienced staff from the west – to ensure that their operations are run properly.

Finally there is the problem of extracting profits. It is possible in theory, but difficult in practice, to take money out of Hungary, Yugoslavia and Czechoslovakia. The situation is more difficult in Poland and the Soviet Union. Most agencies are paid in the west by their international clients for work done in eastern Europe.

Some western agencies have decided that the disadvantages of operating in eastern Europe outweigh the advantages. J Walter Thompson has been studying the market for some time. It is considering finding working partners in the region, but does not envisage equity participation until the market is more stable.

"The market is developing at such a slow pace," says Carlos Fuentes, area director for JWT Europe. "We will wait until we are very sure before we move into eastern Europe in a meaningful way."

Grey has come to the same conclusion. It has formed working relationships with agencies in Budapest and Moscow. However, John Shannon, chairman of Grey Europe, says it will wait to see how these relationships develop before investing further.

Other agencies see their activities in the region as a long-term investment in what, they hope, will eventually be a buoyant advertising market.

"We do not expect to reap rewards for three or four years, but eventually it will become a profitable business. But whether we will be able to get our profit out is another matter," says John Banks, international chairman of Y&R.

The IBM No box this

When we design a computer system, there is only one starting place. You. The customer. On its own, a box is useless to you. To make it useful you need software applications, an operating system to run them and, probably, a printer to provide hard copies of the information you want.

At IBM we understand that businesses are made up of people, working together, sharing information, doing lots of different things at once.

They need integration: a system capable of doing lots of different things at once, and allowing people to communicate. One in which all the elements are designed to work together in the most efficient and productive way. And in which each element is excellent in its own right. Which is why the IBM Personal System/2 exists.

One more thing; businesses continually evolve. Which is why on October 30th, the PS/2 range grew yet again. For customers who share information through networks, IBM is proud to announce a host of new products. The remarkable new Model 95 for example. A network server that unleashes the full power and potential of the 486 processor. Not simply by using a fast processor, but by delivering every ounce of that performance to the customer through its state-of-the-art internal design; Micro Channel architecture.

The network server is the power house. The next requirement is a cost effective, secure workstation for each user. The new Model 55LS is designed to be just that. And as every user knows, the luxury of concentrating on one thing at a time is a thing of the past. You end up having to do several jobs, all at the same time.

That's why IBM's new OS/2 operating system has been designed with multi-tasking in mind. It simply

Personal System/2, PS/2, Micro Channel and IBM OS/2 are trademarks of

هكذا من الأصل

هكذا من الأصل

CINEMA

Dotty about turtles

THE REFLECTING SKIN
Philip Ridley

TEENAGE MUTANT NINJA TURTLES
Steve Barron

DARKMAN
Sam Raimi

CRIMINAL LAW
Martin Campbell

"American Gothic" is a young and honourable tradition. Ever since the famous painting of that name, in which a pitchfork-holding farmer and his wife gaze out as if skinning the spectator's soul, wheat-belt Protestantism has been part of world iconography. In this cosmos *Cold Comfort Farm* meets *The Crucible*. In windblown flatlands under mackerel skies, passions grow, swollen by interdiction, and virtuous men deal out damnation in black waistcoats and buttoned-up white shirts. Hell is not something we need wait for, says American Gothic: it can be obtained right now in the puritan Midwest.

So no surprise when a young English film-maker called Philip Ridley follows his apprentice essay in British Gothic, the screenplay for *The Krays*, with one of the wilder pieces of American Gothic since *Night Of The Hunter*. We begin with three children exploding a frog in the face of an appalled English widow (Lindsay Duncan). We continue with the story of one of those children (Jeremy Cooper) and his struggle to grow up in the face of a tyrannical mother and a suicidal, once-gay father. We set the story in a landscape full of suspected vampires (Miss Duncan) and black cadillacs patrolling like messengers of Death. And we overlay the whole with soaring music and semi-portentous dialogue that sounds as if it fell off the back of a *Twin Peaks* episode. ("Sheriff Ticker says it's a short leap from kissing to killing").

It is mad, pretentious and sometimes enjoyable. Back in a previous life Mr Ridley, who comes to films after dabbling in painting and novel-writing, must have had a blood-pact with Eugene O'Neill. Names like Seth, Luke and Eben rattle around the scenery, defining this imaginary Idaho as an Old Testament community more OTT than OT. Add a touch of Tobe "Texas Chainsaw" Hooper (Miss Duncan's house is full of whitening animal bones) and a hint of Cocteau-esque paedophilia (the black cadillac carries a quartet of child-snatching leather boys) and you are free to gasp at the morality-melodrama exuberance of it all.

What you do not gasp at, except in disappointment, is the ultimate silliness of it all. This is an Englishman's vision of an American Never-neverland. Unlike homegrown US art, the film's mythology is succoured not by the land itself but by old plays and movies on the subject. In *The Krays* Ridley created a psychological dreamscape from an East End London he knew and grew up in. Underpinned by reality, the film's fantasy touches had a feral power. *The Reflecting Skin* it is a game of charades: full of giggles and *coups de theatre*, but forgotten and forgettable as soon as the game ends.

★

Now for the week's, nay the year's, phenomenon. It is turtle time in Britain. *Teenage Mutant Ninja Turtles* opened in America last March to became the highest-grossing independent film in history. Shattering records as it went, the creature fantasy directed by Britain's Steve Barron cost $10m to make and has taken $130m at the US box office. Already popular in comic-strip and TV cartoon form, as longsuffering parents will know, the heroes in a half-shell are now set to extract delight on the large screen. If you are holding any other movie treat tickets for the children this Christmas, you might as well tear them up or part-exchange them. The film is totally dotty. You must swallow *cum grano salis* the premise that four baby turtles affected by radiation grew up to become semi-human Ninja warriors. They lurk in the New York sewers; they are brought up by a wise old rat; and they are involved in a long-running feud with a gang of Oriental thugs. They also eat pizzas, dance to rock music and speak as if reared on *Bill And Ted's Excellent Adventure*. ("Excellent!", "Righteous!", "Awesome!")

With creature modelling by the late Jim Henson, who makes a mangy masterwork of the rodent sage, *TMNT* is pleasantly spellbinding. The action is brisk and exciting. And the script by Todd Langen and Bobby Herbeck, honed for a consumerist society, runs to fearless puns about turtle wax and throwaway jokes for the keen-eared. When one turtle recovers from near-death to embrace another, a third, looking on, mutters "It's a Kodak moment." You cannot dislike a movie so sumptuously daft. Last year at Cannes Festival the film was screened inconspicuously and none of us took the trouble to check it out. The more fools we. A modest sum placed on this runner at an early stage would have us all living now in luxurious retirement.

★

But then who ever knows? Many film fans would have placed a shirt or equivalent finery on a new film by Sam "Evil Dead" Raimi. But *Darkman* is an overblown horror tale set in some part of America where accent imposture seems to be *de rigueur*. Biting into the Yankee dialogue are Ireland's Liam Neeson, playing a scientist and artificial skin inventor who is deformed by an arson attack; Australia's Colin Friels as the property tycoon who torches him; and Jenny Agutter in a don't-blink cameo as a doctor.

At first Mr Neeson runs about the streets like any good hero-ogre, in wrap-around bandages and a floor-length blanket, baying at his fate. Then, developing his skin-making skills, he clothes himself in the facial and physical likeness of villain A, B or C so that he can confuse him, incriminate him or just kill him. Soon, as the film's plot and budget wheeze into fifth gear, he is flying high over the city dangling from a helicopter winch in a life-or-death *fight with the fat baddie* (Larry Drake); and minutes later he is spider-manning all over a skyscraper-in-progress, scrapping with the thin baddie (Mr Friels) as we wonder who will take the short sharp aerial route back to terra firma.

Staking a claim to the Hollywood high ground, at least in budgetary terms, Raimi has left all his Gothic talent at base camp. Neither the script, by five writers, nor the acting, by everyone, persuades. And where *The Evil Dead* stayed in one small setting and put every human emotion through the wringer, *Darkman* conquers fire, survives drowning, leaps tall buildings and ends up as interesting as episode 999 of *The Perils Of Pauline*.

A pizza loving Teenage Mutant Ninja Turtle

Gary Oldman clearly travelled to Hollywood on the same educational cruiseship – "Teach yourself Americanspeak" – as Mr Neeson and friends. In *Criminal Law* British cinema's erstwhile Joe Orton elongates his vowels as a defense attorney convinced of his own client's guilt. Did multiple-murder suspect Kevin Bacon really knife, burn or batter all those women? If as Oldman believes he did, *then might not Mr O use his inside* position in court to expose the rotter rather than save him?

Tasty premise. But as in *Darkman* the dish has no sooner been prepared than writer Mark Kasdan and director Martin Campbell (of TV's *Edge Of Darkness*) insert it in a faulty oven. Overheated on the style side and undercooked on the logic side, the movie combines high-intensity *film noir* visuals with silly narrative howlers. We love the Gothic chiaroscuro and lashing rain with which Mr Campbell cloaks his murder-ravaged Boston. But we cannot swallow a plot in which, by my reckoning, the killer has to be in several places at once on several occasions during the film.

We would be glad of laughter in a week containing the last two movies, but we cannot quite recommend the new comedies. Maurizio Nichetti's *The Icicle Thief* (PG, Metro) is a dainty Italian divertimento – part De Sica spoof, part satire on TV commercials – tortured into feature length from a natural span of about thirty minutes. And Tom Ropelewski's *Madhouse* (15, Cannons West End and Odeon Mezzanine) is a no-less-*stretched comedy about house guests*. It begins with a puking cat and goes downhill thereafter.

Why not frequent instead the London Film Festival? Its projectors are still purring and its second week promises you Derek Jarman's dazzling *The Garden*. Charles Burnett's *To Sleep With Anger* (eerie Cannes-acclaimed ghost story) and a flotilla of Hong Kong films. And on the subject of American Gothic, look out for *Vampire's Kiss*, a horror film preceded across the Atlantic by a growing cult reputation.

Nigel Andrews

SALEROOM

Disappointing record for Constable

Anyone wanting a snapshot view of the art market need only attend Sotheby's sale of British paintings yesterday, which included the most important British painting to appear on the market for many years. "The Lock" by John Constable sold for £9.8m, which, with the 10 per cent buyer's premium added, brings it to £10.78m.

Sotheby's could proudly trumpet a record auction price for any work of British art but it was a deeply disappointing result and reflected the current malaise. The hammer price was below the £10m-£15m estimate and there were only two bidders in the room. "The Lock", the only major work by Constable likely to come on to the market, went to Baron Thyssen who will probably put it on show in Lugano until the new home for his collection is completed in Madrid. The fact that it will be on public display will lessen any forlorn hope to keep "The Lock" in the UK, although its loss highlights the ludicrous under-funding of national museums and galleries which collectively get just over £13m a year for acquisitions.

The price was disappointing both because this magnificent evocation of the English countryside should be judged inferior commercially to the work of the French Impressionists and because there will be few chances to buy a comparable British painting. "The Lock" is one of six great works by Constable of the River Stour, the countryside of his youth, and the only one still in private hands. It was bought in 1824 at the RA Show by James Morrison for 150 guineas and was sold yesterday by his descendants who, after they have paid tax, might well receive less money than if they had done the decent thing and concluded a private treaty sale with a British gallery.

By reducing its reserves, Sotheby's managed to make the auction look quite good at £12.27m with 8 per cent unsold. But over a third of the lots failed to sell, including Zoffany's important portrait of Wilkes and his daughter; many others went below estimate, like the Hogarth and Lambert's view of Chiswick House which sold for £220,000. Happily it will hang in Chiswick House thanks to contributions by English Heritage, the National Heritage Fund, and the NACF.

The unpredictability of the market was well illustrated at Sotheby's in New York on Tuesday when the main autumn sale of Impressionist and modern art did quite well, totalling $76.4m (£38.8m) for 45 lots, with a modest 15.6 per cent unsold. This compares with the disaster of Monday when Henry Ford II's rather non-descript art made $48.6m as against the low pre-sale estimate of $66m.

On Tuesday the Europeans returned to the saleroom and acquired half the auction by value. The Japanese secured 42 per cent, leaving the Americans, who these days are sellers rather than buyers, with just 8 per cent. The Japanese took the top lot, a version of Monet's waterlilies for $9.46m. (£4.8m), at its top estimate.

Four paintings from the collection of the late Greta Garbo gave the sale publicity appeal and brought in $15.95m, with a Renoir portrait of his nephew Edmond exceeding its high estimate at $7m. A European private buyer gave $5.94m. for "Danseuse Espagnole" by Miró, while another Garbo picture, of Renoir's son Claude with his nurse, sold for $5.7m. Its low estimate had been $7m showing that Sotheby's had reduced its reserves in order to ensure that the auction had some successes.

Antony Thorncroft

Malcolm Muggeridge

B.A. Young remembers a friend and colleague

I doubt if I have ever liked an adult male as much as Malcolm Muggeridge, who died yesterday. We disapproved of him when he came to edit *Punch*, which is where I got to know him; he wanted to fill the paper with newsy bits from his old *Daily Telegraph* colleagues instead of amateur humorists. I had an unhappy talk with him when he had been with us about six months, about his lack of sympathy with his editorial staff. "I'd rather read a *Daily Express* leader than a 'middle' by Harold Nicolson," he confessed.

The disapproval was not mutual, and did not last long. He was adept at finding concealed talents, and started to give us more interesting jobs. He brought in his own stars – John Betjeman, Anthony Powell, Christopher Hollis, Claud Cockburn. He tried things that would have been out of bounds in the old days, like articles on an imaginary Christian sect, by Dorothy L. Sayers. This was based on regard rather than disregard for Christianity; Malcolm had been something of an evangelist when he was young, and he was much concerned with religion in his later years.

The new feeling reached the right places – Evelyn Waugh offered a piece that would prove that Marshal Tito was a woman. "It will be very offensive," he said; but Malcolm had enough sense not to risk that much offense. Not that he minded risk. Once he thought there might be contempt of court in something I was writing. "You needn't think you can get rid of me like that," he said. "I shall edit the paper from prison, I warn you."

I soon found him an enjoyable colleague. He was sure most of his ideas were virtually indisputable, but did not necessarily force them on others. He liked company, and would take us to lunch to the Authors' Club or the Garrick. "You ought to let me put you up," he said, "you meet a lot of interesting people." Kenneth Bird, ("Fougasse"), the previous editor, put me up, and Malcolm seconded me. Once he took some of us to Boulestin; "I get a thousand a year expenses," he said, "I've got to spend it on something."

He left the Garrick in what have always seemed to me unhappy circumstances. There were complaints of his writing disrespectfully about the Royal Family, but the buzz was that some of these complaints came from the staff. He was asked to resign and did. Certainly he was less than devoted to the Royal Family, but never disloyal.

He had a proper love of English countryside, but preferred it within easy reach of civilisation. He was a devotee of walking, though there had been little marching in his war-service, spent in the Intelligence Corps. We used to walk from Bouverie Street to the Garrick. "Ay, ay, Mr Muggeridge!" the Covent Garden porters would shout, knowing him from his increasingly numerous appearances on television. When he got his pretty farmhouse in Robertsbridge, on the Kent and Sussex border, his walks were more rural; but he talked less about the scenery than about current affairs.

The mutual affection between himself and his wife Kitty survived all the problems to which journalists' marriages are exposed. The youngest of his four children, Charles, a naval cadet, died in a skiing accident; but he left his mark on *Punch*. Each editor carves his name on the Table, but unpractical Malcolm, having made little more than a scratch, asked Charles to do a proper job. After some 15 minutes, Charles came up to my office for advice – his carving was almost deep enough to go through the Table. I am sorry to say that a new piece of wood was inserted and a less memorable mark substituted.

Rough Crossing

KING'S HEAD THEATRE CLUB

A critical disaster when it was premiered at the National Theatre in 1984, *Rough Crossing* once again braves the elements in the relatively propitious waters of the King's Head, in a version patched and repitched by its author, Tom Stoppard. Quite why Stoppard should have taken the trouble to do so remains a bit of a mystery, despite the game little production it receives in Islington, where a single piano replaces the orchestral might of the South Bank.

The diminution of scale is certainly appropriate to a show which sets out to parody the values of the tackiest musical comedy, as is its siting in a pub theatre that has made a remarkable contribution to the genre. But one does not find here the sort of deadly irreverence that can elevate pastiche above itself. Freely adapted from a comedy by the Hungarian playwright Ferenc Molnar, which P.G. Wodehouse dubbed *The Play's the Thing* in his own 1926 version, it is set aboard ship among a company of thespians who are rehearsing a shipboard musical.

The appeal of this scenario to the Stoppardian mind, with its penchant for concentric circles, is easy to see, although the familiar wit is rechannelled into a broad humour which relies on a farcical structure and a manipulation of misunderstanding that shares more than a *je ne sais quoi* with television's *'Allo 'Allo*. Take, for instance,the early tripartite conversation revolving around a cognac and a desirable woman. In one easy exchange Stoppard sets up his principal running gag – a bibulous waiter – and his principal lady, who is about to be caught *in flagrante* by her romantic young composer lover, getting the plot off to what one could call a bonk start.

Martin Connor's production furnishes a portrait of a Russian prima donna from Anita Dobson that transforms this normally rather soft actress into cod-Slavic harpy: eyes and vowels rolling, chin jutting. Hers is the only voice of note – surely a fault in a show which boasts a jaunty revamped score from Andre Previn. Yet there is much amusement from other quarters: from Robert Austin and Roland Curram as the rough and smooth of writing partnerships, and from Kevin Moore, as the butler, never quite in control of his timing, how deliberately, one is never quite sure. In short (which it is), a small vessel well-served in this small pool, but hardly heading for the open sea.

Claire Armitstead

While *Miss Julie* plays at the Greenwich Theatre, it is worth noting that there is now a new theatre only a few hundred yards away, writes **Malcolm Rutherford**. The Greenwich Studio Theatre opened last July in a pub called The Prince of Orange, just by the railway station. It is currently playing Shaw's *Arms and the Man*.

Although that may sound unadventurous for fringe theatre, it is the sort of piece that gives pleasure to all kinds of people – not least those who act in it – and is relatively easy to stage on a low budget. Not having seen it for some years, I had forgotten how good parts of it are.

Not least, there is the Swiss mercenary, who is central to the plot and whose father is an hotelier. He is caught in a small town in Bulgaria during the Serbian wars and finally carries off, more by charm and intelligence than by force, the local rich girl. "You think of things that never come into a gentleman's mind," the girl says to him, "that's the Swiss national character," he replies.

The play is staged by the Orpheus Theatre Company directed by Stanley Morris. The women are on the whole better than the men; there is an especially pleasing performance by Margo Jenkins as the heroine's mother. But the point is that fringe theatre needs the conventional classics as well as the way-out. The Greenwich production runs until December 2.

'Alcina' in Vancouver

When a company looks to broaden its repertoire with a Handel opera, it is often *Alcina* to which it turns. The score is among the composer's strongest for the stage and the action can make a compelling evening of theatre.

For Vancouver Opera *Alcina* was a bold choice. The opera had not been staged before in Canada, so this was a local première. It was also the opening production of the season. Although the company has by no means been unadventurous in the past, Handel operas are notoriously difficult to sell and there must have been relief at the well-filled houses (the last night, which I attended, was sold out).

Yet, despite some good things, this *Alcina* failed to become the gripping, original, fantastic opera that we know the piece can be. It may be that the house is too large, though that has not stopped the London Coliseum enjoying success with Handel. More likely, it is that a Handel opera depends on singers with star voices and personalities as much today as in the composer's own time, no matter how strong the frame in which they are set.

The Vancouver production by Guus Mostart, the company's Artistic Director, was eminently distinctive. A modish set, of clean lines and primary colours, sufficed for the whole opera. At first it looked as though the designer, John Otto, might be intending to use his abstract setting to engineer some eye-catching magic tricks; but none materialised.

The human drama of love deceived, of jealousy unleashed, made a muted impression. After Arleen Auger's scaldingly dramatic Alcina at Spitalfields, it was difficult to believe that Benita Valente was playing the same role, so mild did she seem. Equally the Bradamante of Catherine Robbin, the dignified Melisso of Desmond Byrne and Donna Brown's Morgana, a pleasing lyric soprano in need of more fireworks for this part, underplayed their roles.

All the singing was musicianly, careful,. rather tame, with one exception. This was Mimi Lerner as Ruggiero, who alone set about her vocal part as if she was determined to make every semiquaver count. With Kenneth Montgomery securing nimble playing from the orchestra, a traditional band using period bows, the foundations are there for a revival that does the opera full justice.

Richard Fairman

The Four Note Opera

DRILL HALL

This is opera without plot, and without characters. The flesh of opera has been pared away, and only an inanely self-conscious skeleton remains. These arias are all about singing arias, with lines like the tenor's "Every time I sing in this opera I find it so humiliating," and the contralto's "After all, even if I'm only the contralto, I have a reputation to maintain." Likewise the ensembles. "It would be nice if we could sing a normal finale here, but we have no control over such things." Everything is so daftly schematic that the last tragic scene has nothing tragic (despite two singing corpses, one straitjacketed soprano and a contralto standing appalled with bloody dagger in her hand) and nothing happening (just singing, pauses, music, repetition). Ah opera.

I heard people at the Drill Hall comparing this *Four Note Opera* to La Gran Scena Opera Company. Like Gran Scena, *Four Note Opera* began in America and has toured internationally. Both shows contain more camp than they need to. But Gran Scena (which is all male) presents bleeding chunks from the mainstream opera repertory, sung and enacted with malicious, revealing love. Its bubbling travesty humour comes largely from within. Most of *Four Note Opera*, which Tom Johnson wrote in 1973, is a joke from outside: the less you know about opera, the funnier you find it. What its words reminded me of most was the Gertrude Stein running-commentary text used for the ballet *A Wedding Bouquet*: "This is now Scene Four" and all that.

The *Four Note* music, which really does use only four notes, doesn't sound like most opera. Yet there's melody in Johnson's minimalism, and he writes some engagingly pointless coloratura into passages like the tenor-soprano duet, whose only words are "This duet is a set of variations, based on a very short theme."

The four English singers for these performances are Paddy Glynn (soprano), Debra Michaels (contralto, kind of), Philip Curtis (tenor, kind of) and Robin Samson (baritone). They are all as arch as the show, and make their points with glee. It is only Glynn and Curtis, however, who really add enough meat to things to keep the *four note* bones from creaking. Glynn plays the most genteel and Roedean of sopranos (Flott fans, beware), mincing her gracious way through every staccato as if she were doing it a favour. I love her giddy little access of bliss in the trio ("I sing the short notes", sung with mounting ecstasy). Camp, yes, but good camp.

Alastair Macaulay

ARTS GUIDE

November 9-15

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. Burlington House, Piccadilly (287 9579).

Paris

Louvre. Recent acquisitions of the Department of Objets d'Art. Exhibits of medieval ivories and goldsmiths' work, of renaissance bronzes, enamels and majolicas and of 18th century furniture, tapestries and porcelain – many of which are royal gifts or royal possessions. Closed Tues.
Galerie Daniel Malingue. Maitres impressionistes et modernes. From a Pissarro gouache to a pleasing Berthe Morisot portrait of young girls framed in an open window, from white-toned Utrillos to the poetry of Miro's flying star, Daniel Malingue has assembled works of rare quality to represent his favourite period. 26, ave Matignon (42566033). Open all days except Sun, Mon mornings and lunchtimes. Ends December 22.
Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for change in his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. 107, Rue de Rivoli (42603214), closed Mon, Tue. Ends January 21.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. Ends December 31 (40205166).
Grand Palais. Picasso. An exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. Closed Tue, Wed late closing.

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. The finest show seen in Brussels for some time. Closed Mondays, ends December 16.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily, ends December 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the centre reopens as Spain' s "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show on 20th century art to date.
Fundacion Juan March. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile.
The Cambo Legacy. Francesc Cambo, Catalan financier and politician, was the owner of a magnificent private collection of paintings, built up between 1927 and the Spanish civil war. Particular attention to Italian renaissance art is paid: Botticelli, Titian, Tintoretto, Verones, Sebastiano del Piombo, Perugino, Goya, el Greco, Zurbaran, Rubens. Museo del Prado. Ends December.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes seen through the works of a wide range of top rate artists over a 500-year period. Ends December 9.

Barcelona

Museo de Arte Moderno. Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics. Ends December 20.
Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. This is an important retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model.
Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme of oriental philosophy in an interchange with the Keftner Gesellschaft in Hanover. Closed Mondays. Ends November 18.

Rome

American Academy: Giovanni Battista Piranesi: 135 engravings of Rome, made around 1770, the year of Piranesi's first visit to Rome, and the beginning of his long love-affair with the city. Ends December 16.

Milan

Castello Sforzesco. The People of the Sun and the Moon: Treasures of ancient Peru. Nearly 500 ceramics, gold objects, textiles and gems, together with a small but precious collection of erotic ceramics of the Moche civilisation, lent by museums in Lima. Ends December 9.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards Ends December 9.

Dresden

Albertinum, Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. Ends December 2.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin is the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. An accompanying programme includes literature, music performances, films and video. Until November 25.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Amseln Kiefer. Ends January.

Cottbus

The art of collage from 1945-1990: The new Germany sticked. Since George Braque established paper collages in 1912 this has become part of modern art. Ends Nov 25. Staatliche Kunstsammlung, Strembergerstr 1.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends January 6.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection.

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.

Tokyo

Masterpieces of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new Emperor. It includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. National Museum. Closed Mondays.
Hara Annual 10. Since its establishment ten years ago, this museum has held an annual show of young and emerging Japanese artists: an opportunity to observe new developments and directions in Japanese art. Hara Museum.
Azabu Museum of Arts and Crafts. Ukiyo-e prints and paintings of flowers and birds: from the Rockefeller collection in the US. Among the artists represented are Hokusai and Hiroshige.
William Blake: 200 iodiosyncratic works by the English revolutionary, visionary, poet and painter. Part of the UK 90 Festival. National Museum of Western Art. Closed Mondays.

FINANCIAL TIMES

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Thursday November 15 1990

The choice before the UK

MRS MARGARET Thatcher has never wanted for enemies. They are certainly all circling now. But it is her erstwhile friends that are doing her the greatest damage. They dislike her "style"; they say that style and substance are "two sides of the same coin"; and, most of all, they dislike her.

Yet the determination to confront choices remains, as it has always been, the virtue that is the mirror of Mrs Thatcher's vices. Even in the debate on Britain's future within Europe, that determination is a virtue, although the prime minister's knowledge that there are choices does not, in this case, compensate for her failure to identify them correctly.

One substantive issue divides the UK from its continental partners. It is whether or not to endorse a process that will lead, in the not too distant future, to a monetary union: a single EC-wide monetary policy and probably a single currency.

That process is being driven by the current momentum of the European Community, itself largely created by the success of the single market programme; by the desire of a newly united Germany to underline its commitment to European integration; and by the determination of other EC members, notably France, to enjoy a seat on the board of the institution responsible for European monetary policy. Even the Bundesbank now recognises that its dominance of European monetary policy will not endure indefinitely.

Fundamental issues

Critics of the prime minister's approach to the EC do not confront the fundamental issue. "There is talk, of course, of the emergence of a single currency for Europe," said Sir Geoffrey Howe in the House of Commons on Tuesday. Yes there is, Sir Geoffrey, and a great deal more than just talk. "And, of course, as I said in my own letter of resignation," he continued, "none of us wants the imposition of a single currency." Thereupon Sir Geoffrey pointed out that the "say" in EC affairs that the government should seek was to be supplied by the hard Ecu proposal, "a compromise acceptable in the government and sellable in Europe".

Leave aside the question of "say", which is of interest only to the extent that the UK has something worth saying. Since the hard Ecu cannot serve the purposes of the other major players in the EC, it is not, in fact, sellable as an alternative to a currency union.

Emu dilemma

Mrs Thatcher may have failed to object to Emu in diplomatic language. She also misses the point in her moans about the pound sterling, democracy and the sovereignty of Parliament. But Mrs Thatcher is only mad north, north west.

There are three truths that should not be obscured in the debate on Emu. The first is that what is on offer is a common currency (or at the very least a single EC-wide monetary policy). The second is that if the UK does not accept that objective, it will find itself in the "slow lane". It may, indeed, find itself in the "slow lane" even if it does accept that objective. The third – and most important – is that acceptance of a common currency would lead, ineluctably, to a substantial transfer of hitherto independently exercised powers, going well beyond monetary policy, to the EC.

The UK can take one of four positions: say "no" and mean it; say "no", but give in in the end (this probably being Mrs Thatcher's true position); say "yes, maybe", and then haggle both about the timing of the move to union and about the extent of the associated transfer of powers; or say "yes, whatever".

If what Sir Geoffrey is saying is that the UK should be in the third, not the second category, then he is right. But it is not what he seems to have said and, even if it were, the implications of that "yes" must be spelled out. Emu will lead to a more fundamental transfer of power to EC institutions than any that has yet occurred. Mrs Thatcher recognises there is a real issue, but has failed to define it correctly. Her opponents ignore the issue or, worse, confuse it with her manners or their election prospects. Neither approach will now serve.

Student unrest in Paris

THIS week's student demonstrations in Paris have placed the government in an unenviable situation. Mr Lionel Jospin, the education minister, has promised to announce an emergency package of measures for educational improvement today. But the students' inchoate demands are apparently unlimited, whereas the measures which the government can plausibly announce can only have a marginal effect on the educational system, and that not immediately.

The most unmistakable fact about the demonstrations is that students are demanding a better education, because they want to pass their *baccalauréat*. But it is also a fact that the protest movement started in the deprived suburbs on the Paris periphery, like Seine-Saint-Denis, where all the conditions of life are worse: schools, housing, environment, unemployment and crime. The students' underlying motives in demonstrating for a better education would appear to be the ulterior hope of avoiding unemployment and of escaping from the ghetto housing estates. The small number of looters, apparently disproportionately black or Arab, appear to come from a layer of society which cannot escape.

Thus the students' demands are not narrowly concerned with the educational process, but lie at the interface between the schools and the society at large. In terms of pure education, France is almost certainly no worse off than its neighbours in Europe, and may well be better off; but in terms of the needs of the economy, it is marked by deeply-ingrained French characteristics which may be handicaps in the modern world.

Open door

The novel feature of the present situation is that the students are demonstrating in *favour* of what is already government policy: an improved and expanded educational system. Previous student protests were directed *against* government policy: in 1984 and 1986 against proposed educational reforms, in 1968 against the whole regime. This time, they are pushing at an open door.

The disadvantage is that the students, like the government, appear to be thinking primarily of quantitative improvements in the existing system; whereas it is not clear that this will necessarily provide the answers required. The government proclaims the target of getting 80 per cent of the relevant age group up to the *baccalauréat* level by the year 2000, and is pouring money into the expansion in the hope of getting there. The students are raising the stakes by demanding that still more money be spent on schools, teachers and supervisory staff.

Royal road

The real question is not whether education should get more money, however, but whether France remains excessively fixated on outdated models, and on a narrowly quantitative approach. Traditionally, the royal road for the French *élite* has lain through the abstract intellectualism of the *baccalauréat* and the *grandes écoles* and it remains the *cursus honorum* for a minority. But does it make sense to proclaim the *bac* as the objective for virtually all?

And if it is the objective for 80 per cent, what is the fate of the bottom 20 per cent? The government has tried to square this circle, by developing new streams of professional and technical *baccalauréat*; but the primary effect has been to underline the primacy of the original *bac*.

Secondly, the traditional alliance between education and the state has made education a highly-centralised system. This alliance has been buttressed by the links between the state and the teaching unions, especially under a socialist government. The Socialists have made gestures in the direction of decentralisation; but the convergence of the students on Paris shows where they believe the power still lies.

The government has talked much of humanising the syllabus, reforming teaching methods, softening the authoritarian attitude to school children, decentralising responsibility. But these qualitative reforms have lagged behind a quantitative expansion which is probably doomed to disappoint, and which appears to be misleading the students.

ECONOMIC VIEWPOINT

Serious not desperate

By Samuel Brittan

A common witticism during the closing years of the Habsburg empire was that the situation was "desperate, but not serious". A better saying today is that the position is "serious, but not desperate". There are many menacing world problems, some interlinked. But there is a good chance of surmounting them if we keep our nerve.

Here is a very incomplete list:

- The Gulf. This is still the most likely source of a combination of depression and inflation, let alone far worse.
- The banking-related crises, especially in the US and Japan.
- The dramatic fall in the dollar. Despite the conspiracy of silence, this will soon be in the spotlight.
- The blow to world savings from the shrinkage of the German and Japanese surpluses.
- The disintegration of the Soviet empire.
- The urgent need to support reconstruction in central Europe.
- European Monetary Union, the credibility of sterling in the ERM, and the British Conservative leadership.

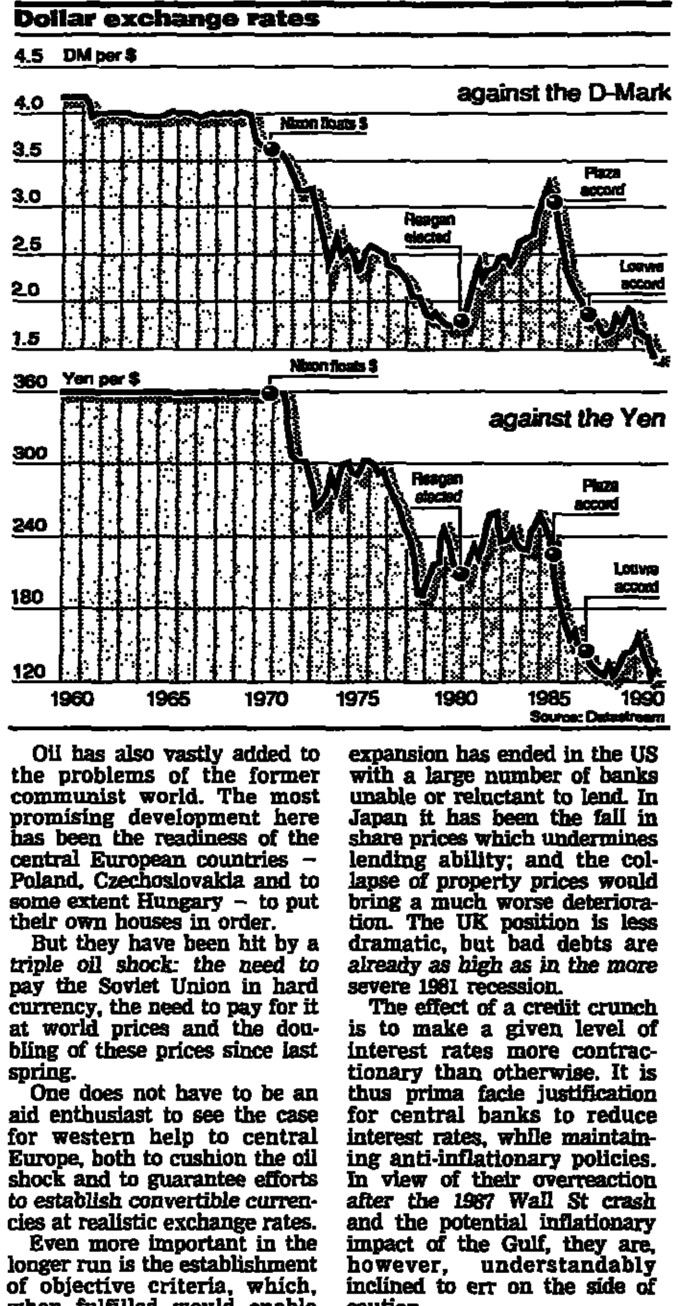
The main point on the last item was made by Sir Geoffrey Howe when he said: "The 11 others cannot impose their solution on the 12th country against its will. But they can go ahead without us."

The immediate threat remains the Gulf, where alas the phony war looks like giving way to a shooting one. Perhaps I can draw a little on my credit as a dove in virtually all international conflicts, from Suez and Vietnam to the Falklands, to say that the self-appointed emissaries to Saddam Hussein are doing the cause of peace no good. On the contrary they may be promoting a false sense of *fait accompli* on his part which may encourage a fatal miscalculation.

The oil markets now seem to assume that any war in the Gulf will be over reasonably quickly. But if the Saudi Arabian oil fields were threatened, or the war prolonged, the oil price could still shoot up to \$50 or \$60 per barrel.

The autumn UK Treasury Bulletin itemises changes for the better since the first 1973 oil shock. Oil consumption, as a proportion of gross domestic product, is down by 40 per cent in industrial countries and monetary policy is less accommodating. Nevertheless a \$50 or \$60 oil price would still take the real price above its peak of the early 1980s.

Dollar exchange rates



The self-appointed emissaries to Saddam Hussein are doing the cause of peace no good

The impact effect, over and above that of the earlier rise, would in the Treasury view now be to add 3 to 4½ percentage points to the general world price level. GDP growth would contract by 1½ percentage points per annum. This is serious in a period of general recession or slowdown; and the use to be made of western strategic oil stocks is now a key to Gulf strategy. Decisions here need to be shifted from the official oil bureaucracy to top governmental level.

Oil has also vastly added to the problems of the former communist world. The most promising development here has been the readiness of the central European countries – Poland, Czechoslovakia and to some extent Hungary – to put their own houses in order.

But they have been hit by a triple oil shock: the need to pay the Soviet Union in hard currency, the need to pay for it at world prices and the doubling of these prices since last spring.

One does not have to be an aid enthusiast to see the case for western help to central Europe, both to cushion the oil shock and to guarantee efforts to establish convertible currencies at realistic exchange rates.

Even more important in the longer run is the establishment of objective criteria, which, when fulfilled would enable them (along with Efta countries) to become European Community members automatically. It would help if the central Europeans would combine to the extent of presenting a joint programme of requirements, as western Europe did at the time of the Marshall Plan. At least these problems are manageable, in contrast to those of the Soviet Union and the Balkans.

The altogether different western banking danger is well explained by Professor Alan Budd in the November Barclays Review. A credit crunch begins with a rise in bad debts, which undermines bank profits and capital and thus lending ability – which in turn leads to more business failures and enforced sales.

A long period of credit expansion has ended in the US with a large number of banks unable or reluctant to lend. In Japan it has been the fall in share prices which undermines lending ability; and the collapse of property prices would bring a much worse deterioration. The UK position is less dramatic, but bad debts are already as high as in the more severe 1981 recession.

The effect of a credit crunch is to make a given level of interest rates more contractionary than otherwise. It is thus prima facie justification for central banks to reduce interest rates, while maintaining anti-inflationary policies. In view of their overreaction after the 1987 Wall St crash and the potential inflationary impact of the Gulf, they are, however, understandably inclined to err on the side of caution.

The real conundrum arises however in lender of last resort operations to offset, not a credit crunch, but a run on the banks. Many other financial institutions now play a banking role. But if the safety net is extended too far the moral hazard becomes unsupportable and the next wave of credit explosion still more irresponsible. Lender of last resort principles have not been overhauled since Bagehot wrote in the mid-19th century. Meanwhile, I offer the slogan that it is depositors, not institutions, that need protection.

A very different pressure arises from the demands on German savings from unification. As there is little to spare for the rest of the world, the German current account surplus is likely to fall steeply, as is, for different reasons, the Japanese surplus.

The shrinkage of the surpluses should, other things being equal, help to sustain demand in the rest of the world where recession looms. We should not throw away this silver lining. But other things are not quite equal. During periods of normal world activity the disappearance of two important sources of world savings would tend to push up interest rates. The financial markets know this in their bones and this knowledge will limit the ability of central banks to reduce interest rates. Those mainstream US policymakers who campaigned against Japanese and German surpluses have a lot for which to answer.

Efforts to maintain world activity without stoking up inflation are, moreover, made more difficult by the falling dollar. The US currency is now below the low point reached after 1987 Stock Market crash; and the US administration seems either indifferent, or pleased with, the fall. The Bundesbank, for its own selfish reasons, is conniving at this malign neglect.

Let me concede that there might have been a case for a one-off downward realignment of the dollar against the D-Mark and the yen, if the dollar had had a long run record of stability and there were joint management of exchange rates by the three main industrial powers.

But as things are, dollar depreciation looks like one further step in the long-term fall in the US currency which has neither created prosperity, nor helped the US balance of payments, but mainly left the US with a underlying 4 to 5 per cent creeping inflation, which makes it more difficult for the Fed to fight recession.

It is time that the Group of Seven leading industrial countries (which is code for the Group of Three) got together to take some views on whether the growth of world demand in nominal terms is excessive or deficient and allocate responsibility for any necessary adjustments. The US will indeed be trying to wake up the wider forum of the Economic Policy Committee of the OECD, which meets in Paris today and tomorrow, to its responsibilities here. What I miss however is an emphasis on the key little

US policymakers who campaigned against surplus countries have a lot to answer for

word "nominal", which differentiates my proposal from the ill fated Carter-initiated demand boost after the 1978 Bonn Summit.

In addition, the Group of Seven need to heed the French call for the re-establishment of target exchange rate zones and (in contrast to the Plaza and Louvre accords) agree on the domestic policies required to achieve them. So far from crying for the moon I am merely pleading for a man-made equivalent of the Gold Standard which was associated with nearly a century of long-term stability and prosperity before the first world war.

BOOK REVIEW

Economics of extinction

ELEPHANTS, ECONOMICS AND IVORY
By Edward Barbier, Joanne Burgess, Timothy Swanson and David Pearce
Earthscan, £8.95, 176 pages

If you oppose the wholesale slaughter of the African elephant, then you should campaign for the resumption of the ivory trade, which was banned last year by an international convention.

This paradoxical argument emerges from a startling new book on the destruction of the elephant. It has been written by a group of British environmental economists including Professor David Pearce, co-author of Blueprint for a Green Economy, the best-selling manual on green economics, and adviser to Mr Chris Patten, the UK environment secretary.

Prof Pearce and his fellow authors adopt a central thesis of Blueprint – that it is possible to bring hard-headed economic considerations to bear on environmental decisions. They then apply it to the problem of preserving the African elephant from extinction, which could occur as early as 2010 given recent killing rates.

"We believe, strongly, that economics offers an *added* dimension to the case for conservation and preservation, contrary to the popular image of economics as the despoiler of nature," they contend.

Their closely argued book on the ivory trade is a triumphant vindication of that contention. Yet it will also appear controversial, even painful, to people whose views have been formed mainly by pictures of elephant carcasses with their tusks gouged out by chainsaws. Most wildlife enthusiasts regard the ban on the ivory trade, carried out under the umbrella of the Convention on International Trade in Endangered Species (Cites), as unquestionably a good thing.

Elephants, Economics and Ivory stands this conventional wisdom on its head. "An ivory trade ban is, in the long run, a very perverse way in which to attempt to conserve the elephant . . . The crucial causal factor in the elephant's decline has not been the ivory trade per se, but rather the failure of some states to utilise it constructively," the book says.

The argument is twin-tracked. First, the ban will not work. The authors acknowledge that the clampdown on demand this year in the principal consuming countries, notably Japan, has produced a sharp drop in ivory prices. But they argue that this gain is strictly temporary, because of the remarkable flexibility of the ivory trade.

New carving centres or staging posts, such as Dubai, Singapore and Macao, have been opened as the trade has been forced out of the old centres.

Cheaper ivory, the book argues, will encourage sharply higher demand among consumers previously priced out of the market in countries such as South Korea, Taiwan and Saudi Arabia. This trade will be unmonitored because these new centres of demand are not parties to Cites.

Smuggling will also increase into the traditional markets. The quantities of ivory in trade will again drift upwards, resulting in higher ivory prices, which will in turn encourage even more smuggling.

For – and this is the second point – a ban on trading fails to fulfil a crucial condition for the preservation of the elephant: the creation of economic incentives for African states to sustain numbers in their elephant herds. Protecting elephants from poachers is a hugely expensive operation. Only in a few countries, notably Kenya, is tourist income a large enough incentive to prompt effective measures against poachers.

In most other African countries, the authors argue, realising the value of ivory through the controlled elephant culls must form an important part of the return on investment in responsible herd management. The dilemma is acute for those states, particularly Botswana, Zimbabwe and South Africa, which have invested heavily to stabilise their elephant population.

The authors propose the resumption of controlled trade in ivory. The trade would be based on a producers' cartel, with all deals channelled through a new ivory exchange which would be designed to minimise the chances of smuggled ivory finding its way to the consumer countries.

The predictable life-cycle of the elephant would allow a precise calculation of the annual cull which would be compatible with stable herd populations. Smaller quantities of ivory would be traded than in the recent past.

But the authors argue that this would not necessarily cut income to ivory producers because demand for ivory in Japan is relatively insensitive to price. Ivory's price elasticity, they calculate, is similar to that of petrol in Japan, allowing producers to be compensated for lower quantities with higher prices.

Their book is a model of how economics can illuminate environmental problems. Which is not to say that its proposals are correct.

Dr Richard Leakey, the respected director of the Kenya Wildlife Service, believes that even a controlled resumption *of the trade will encourage* ivory poaching. This argument will become increasingly fierce in advance of the next Cites meeting when moves are expected to relax the trade ban.

David Thomas

OBSERVER

Down in the woods today

■ You can tell there is a recession biting on both sides of the Atlantic when the big bears can be seen coming out of the forest.

Going short on stock is a high-risk business and many a former bear is sadder and wiser after having his paws burned. But among the seriously rich some are always prepared to take risks to get richer.

Dixon Boardman, aged 45, is a New Yorker with an impeccable English accent honed during his years at Stowe School, who worked for investment bankers Kidder and Peabody for 15 years before setting up on his own to run managed funds.

As a very big bear indeed he has been growling in London this week. For his new Optima short fund (going short of US equities, that is) is registering gains of more than 30 per cent in its first five months.

His European clients are proving to be mostly very rich individuals. So far 40 have put, on average, \$1m each into the short fund, which is run from New York by four managers, and is based in Bermuda.

Boardman claims his fund is a natural extension of his main £200m Optima Fund. The US financier Alfred Taubman is on the advisory committees of both.

"I am not a doom and gloom merchant", Boardman insists. But he does agree that his fund managers, who spend their days analysing business sectors and looking for the weakest in the flock, are not welcome guests among US industrial managers.

Word to Lenin

■ Zviad Gamsakhurdia, aged 51, the fiery nationalist who was elected Soviet Georgia's first non-Communist president yesterday, is the latest dissident to be thrust into high office by popular demand.

A godfather-like figure, Gamsakhurdia is a friend of Czechoslovak President Vaclav Havel.

A lecturer in Anglo-American literature, who was jailed four times by Communist authorities, he has vowed to lead Georgia to independence.

His triumph in the first free elections since Georgia was invaded by the Red Army in 1921 is a remarkable vindication of a struggle that has been something of a family business.

Gamsakhurdia's father, Konstantin, one of Georgia's best-loved authors, wrote to Lenin seven decades ago with a prophetic warning, "Before we were comrades in arms, but now you have become a Napoleon. Your empire will end like his".

Off ration

■ Marie-Antoinette would have approved.

Soviet citizens have finally been told they can eat cake, figuratively speaking.

While city authorities are considering rationing basic foodstuffs, a government decree from today frees the prices of luxury goods such as furs and jewelry in order to "saturate the market".

The decree also extends to other non-essential goods such as carpets, radios, and furniture, ignoring the fact that such goods are even scarcer than food.

Stylish issue

Would people want to go round wearing a T-shirt decorated with lots of fine print, including a message which might be considered to be of doubtful taste in such a location? It reads, "Their value can go down as well as up".

"At full moon he becomes a weresheep".

I am looking at a shirt issued by Newcastle United to promote the club's new share issue.

The unusual design is because The Financial Services Act is a stern taskmaster. The club was advised that its shirts must carry the usual "financial health warning" about buying shares.

When worn on the chest of a Geordie supporter, say the experts, the shirt must be considered to be an advertisement and therefore must comply with all the new issue regulations.

Gordon McKeag, the club chairman, says, "Our fans are baffled by the wording. But we have to follow the rules even if that means we have to do very odd things like this".

Snuffed out

■ The latest supposedly deadly threat to the young people of Europe is a kind of tea bag containing snuff that is inserted between gum and cheek.

That unlikely sounding pick-me-up has swept the US and Sweden. The EC is destined to be its next stop.

But while the youth of Europe may not yet have heard of "oral moist snuff" the alert bureaucrats in Brussels declared yesterday that it must be banned before Europeans get hooked on what they regard as a highly addictive and cancer-causing substance.

For once the UK is on the side of the angels, being almost the only EC country in which the snuff bag is already illegal.

Last scene

■ The New York art market may be moribund, judging by this week's auction of the Henry Ford Impressionist paintings, but the lure of a legend lives on.

Before Greta Garbo's belongings go under the hammer at Sotheby's today the crowds have been pouring into the pre-sale showroom in their thousands. Within an hour of the doors opening on Sunday a line snaked round the block and into the distance.

Garbo seems to have amassed a homely collection of odds and ends, rather than "great art". "It's just junk", drawled one East Side matron to her friend, as they gazed at a case of china ornaments, ranging from porcelain candlesticks moulded like tulips, to a scent bottle shaped to resembled a wizard.

But quality is not really the point. For perhaps \$150, you too could have a little bit of a legend in the living-room. Judging by the number of absentee bids that have been flooding in for the smaller items that is just what large numbers of New Yorkers want.

Mature

■ I know there are some readers who consider my jokes too old. Perhaps they would like to consider the wine list at a Tokyo restaurant which still lists Beaujolais Nouveau 1979.

هكذا من الأصل

Heseltine brings out a bulging bag of tricks

Philip Stephens assesses the manifesto of the former defence minister

No politician seeking to lead his party has ever produced such a bewilderingly comprehensive manifesto. Mr Michael Heseltine has views on everything.

Britain's place in Europe may be the issue that holds the headlines in his bitter struggle with Mrs Margaret Thatcher. But if the former defence minister defies the odds and defeats her, virtually every department in Whitehall faces potential upheaval.

His manifesto – framed in the torrent of books, speeches and interviews produced since his resignation from the cabinet in 1986 – is breathtaking, and occasionally bizarre, in its scope.

European integration, a stronger economy, industrial regeneration, and the abolition of the poll tax are its core. A pledge to maintain strong defences is there, always in the background.

If he defeats her, virtually every department in Whitehall faces potential upheaval

His commitment to keeping – in private he would say restoring – Britain to the first division of the European Community has been rehearsed a hundred times. So too has his passionate belief in a new partnership between government and industry, in the restoration of the inner cities and in the need to relate the poll tax to ability to pay.

But Mr Heseltine also foresees American-style mayors in Britain's cities; statutory chambers of commerce training the the country's workforce; even new standards for the carbon dioxide emissions of fridge-freezers.

Friends say that the never-ending flow of ideas marks him out as an original thinker, though they sometimes add that in retrospect some of them turn out to be half-baked. Enemies liken him to a magician, constantly seeking new tricks which, at first glance, provide a comfortable illusion.

For his part, Mr Heseltine regards himself as the only radical alternative to Mrs Thatcher: not an interventionist consolidator harking back to the cosy days of One-Nation Toryism; but neither a politician who believes that the blunt-edged solutions of the 1980s can be applied to the challenges of the 1990s.

But the former defence minister, who hopes to be the first politician since Winston Churchill to return from the backbenches to lead his party, does not make it easy for others to judge just how he would run Britain.

In part it is a deliberate confusion. Mr Heseltine has spent the past four years cultivating the electorate of 372 MPs who next Tuesday will decide his fate. That has meant recognising the significant shift to the right within the parliamentary party since 1979. A prospective leader with the tag of a traditional wet had to demonstrate that he was convinced of the basic tenets of Thatcherism.

He has also had to build his distinctive platform while retaining, until this week, the pretence of support for the prime minister. Too many frontal assaults would have risked imprisonment in the political obscurity with which the Tory party punishes disloyalty.

Mr Heseltine's approach has been to promise to add rather than subtract to his inheritance; to balance each proposal which might seem to run against the grain of Thatcherism with another which the prime minister could not quarrel with.

Thus his plans for a more powerful department of trade and industry to forge a new partnership with Britain's manufacturing industry run alongside a promise to reduce bureaucratic interference by Whitehall civil servants.

The politician who promises to put more of the taxpayers' money into research and development pledges also to force much greater competition among those bidding for government contracts.

A promised crusade to bring the provision of education and training up to the standards of Germany or Japan is coupled with tirades against the National Union of Teachers.

Better health and transport services would not be achieved simply by pumping in extra resources but by increasing further the competition and choice which the government is already promoting.

And if those condemned to poverty or disablement could expect a rather more caring Conservatism, the unemployed would be expected to pay their way on US-style "workfare" schemes.

Above all, the commitment to European integration is framed always in the context of national self-interest. The aim always is to enhance Britain's influence in the world rather than diminish its control over its own destiny.

It is those two sets of policies – towards Europe and towards British industry – that provide the most illuminating clues to Mr Heseltine's underlying philosophy.

The constant threads are these: governments can do things. And something has to be done to reverse the secular decline in Britain's economic and (therefore) political power which 11 years under Mrs Thatcher may have arrested but have not reversed.

Mr Heseltine's ambition is make Britain Great again, and he is not ashamed to admit it. The end, not the means, reminds some of Mrs Thatcher.

His books and speeches are shot through with envious allusions to the much stronger economic performance of Japan and Germany; to the pride with which France views its high-tech industries, its space programme.

His idea of a partnership with industry – with greatly enhanced education and training and a stronger commitment to R & D – is couched also in terms of providing a level playing field with more prosperous competitors.

The role of free markets is emphasised, but it is capitalism on the German or Japanese rather than the Thatcherite model. Mr Heseltine despairs at the decline of Britain's manufacturing industry and sees the trade deficit as an affront to Britain's national esteem.

It is more difficult to assess the extent to which his aspirations could be translated into a programme for government. A few changes would be obvious and immediate, but the rest would depend on victory at the next general election.

Britain would attend next month's European Community conference on economic and monetary union ready to accept in principle the eventual replacement of national currencies with a single European banknote.

But as Mr Heseltine made clear in a speech earlier this week, he would not expect any irrevocable decision for perhaps a decade. Like Mrs Thatcher he believes that a single currency will remain a pipe-dream until there is much greater convergence of European economies.

Similarly, although he would embrace the rhetoric of Britain's partners on European political union, he would not expect any move to the federal Europe feared by his opponents. "I do not expect the emergence in the foreseeable future of any political structure in western Europe that would submerge the institutions of national sovereignty," he said in Hamburg this week.

His proposal for an extra tier for the European parliament has the feel of a "wheeze". His energies are more likely to be directed into building the co-operative industrial ventures – particularly in the area of defence. It was Mrs Thatcher's refusal to embrace that philosophy during the crisis over Westland helicopters that drove him from cabinet.

Britain, he would promise, would stay in the mainstream of European integration, but that process would be slower than the rhetoric implied.

On the domestic front, Mr Heseltine's manifesto provides little evidence that there would be a turnaround in macro-economic policy.

He is every bit as chauvinistic about preserving the value of the pound as any post-war British prime minister. His pledge to restore the independence of the Bank of England – he prefers to frame it in terms of reversing its nationalisation by the Labour party in 1946 – would anyway undercut the government's control over the exchange rate.

His speeches contain oblique hints on the need for some form of credit controls – perhaps on the west German model – but a decision would presumably be left to the newly-independent bank.

There would be changes to tax policy: he believes, for example, that the government should provide more powerful incentives for individuals to invest directly in manufacturing industry.

Mr Heseltine has also argued for the balance of public spending to be tilted further towards investment. Priorities would be a better transport infrastructure and money to "pump-prime" regeneration of the inner cities.

The Docklands and Merseyside development corporations would provide a model for the cities, while responsibility for regional policy would be transferred to a new English Development Agency.

The DTI – which has seen its budget progressively reduced over the past few years – could expect a new secretary of state guaranteed seniority and influence in the cabinet, alongside a restoration of the financial cuts.

As yet, Mr Heseltine has

He is as chauvinistic about preserving the pound's value as any post-war British prime minister

been careful to argue that his principal aim would be to redirect existing resources, to use them more efficiently, and to attract private funds rather than to embark on a public spending spree. No price tag has been attached to the promotion of German or Japanese-style long-termism in industry.

Local government, meanwhile, would be subjected to another upheaval – reform of the poll tax would be accompanied by the merging of county and district councils into unitary authorities run by those directly-elected mayors.

There is much more. Mr Heseltine has ideas and plans for the restructuring of the west's defence posture, for the environment, for education, and above all for defeating the Labour party. He has just four days to persuade his colleagues at Westminster to ensure that those plans do not turn out to be the longest manifesto never presented to the British electorate.

Mrs Thatcher has set an unshakeable agenda, writes **Joe Rogaly**

Win or lose, her legacy will last

Never mind about Mrs Margaret Thatcher, or Mr Michael Heseltine; forget about who is more likely to destroy whom. The question is, will the course of British history since 1979 turn out to have been a deviation? Will all the undoubted achievements of Britain's extraordinary prime minister be reduced to dust?

Put it like that and the anxieties of those who call themselves Thatcherites can be seen in proportion. For the answer is, of course, a strong negative.

It is not that Mrs Thatcher's continuing admirers have nothing to be anxious about. Few would deny that we are now witnessing the end-game of her career, or that the prime minister appears to be irreversibly weakened. It will be a quick exit if Mr Heseltine's challenge results in her departure from No 10 Downing Street, or a slow fade-out if it does not. She may survive – perhaps for a few months, possibly until after the next election – but she can no longer tower above her colleagues in the manner to which they had become so uncomfortably accustomed.

Her impact on Britain will, however, be felt long after any conceivable Tory successor takes her place; as to a potential Labour government, one of the prime minister's not inconsiderable contributions to the British polity is that she has blasted the crypto-communism, and much even of the quasi-socialism, out of the opposition. The essence of her legislation on trade unions will survive intact whatever happens; more to the point, a series of victories in the great set-piece industrial relations battles, culminating in the destruction of the national union of mineworkers, have obliterated the old generation of labour union barons.

The same sense of permanence applies to privatisation. Water, the national grid, and possibly British Telecom would not be wholly safe with Labour, but for the rest no one is proposing to reverse this aspect of the rolling-back of the frontiers of the state. Mr Heseltine would undoubtedly continue the process; he would even go one step further than Mrs Thatcher is willing to contemplate and create an independent Bank of England. In the social sector, everyone favours council house sales now, and a national curriculum is a permanent part of the education system.

Again, not even Labour dares to proclaim an intention to return to the public-spending profligacy of the pre-1979 years. Mr Heseltine might turn out to be meaner on social security payments than any Thatcherite, while his inclination appears to be to make general cuts to finance such of his grandiose infrastructure schemes as can be afforded. He is not very forthcoming about taxation plans. The upshot is this: any politician who is prepared to lock himself into a European monetary union and an independent central bank is either stupid or aware that he is putting voluntary shackles over his own potential fiscal profligacy.

What appals Thatcherite true believers is the prospect of a mightily enlarged Heseltinian department of industry, not to mention the establishment of regional authorities charged with the procurement of investment, the purposeful deployment of government procurement powers, and face-to-face prime ministerial exhortations of chairmen.

Such interventionism, which would also be practised by a Labour government, would certainly represent a change of direction but it would be unduly depressing to describe it as a complete return to the corporate state of the 1970s. Much would depend upon the degree to which trade union arrogance was revived. Round-table bargaining with union bosses who think they run the country are one thing; talks with general secretaries who know their limitations are another. Labour will not deserve to be trusted on this until a Labour prime minister has seen off his first three public-service unions, preferably all in the national health service. A Heseltine industrial policy would be a businessman's policy: pragmatic decisions, taken in shirtsleeves, in the interest of growth. He argues that this already happens, under cover of a purist liberal economic policy. He is partly right.

A secondary concern facing Thatcherites is that some of their ideas for further incursions of market theory into social policy might be side-stepped by Mr Heseltine. He is a proponent of workfare, which means that you qualify for unemployment benefit only if you accept a proffered job or useful training, but on many issues he has his own agenda, and it is not all co-incident with what is put out by the Centre for Policy Studies, the Adam Smith Institute or even Mrs Thatcher's guru-in-the-dungeon, Professor Brian Griffiths. That this is a real concern was made clear yesterday when the challenger promised a complete review of the poll tax.

This is of course a political undertaking, not a moral one. Yet the poll tax, designed to make the poor pay for the policies they vote for, is, as a flat-rate imposition, regressive. It is the single most wicked piece of fiscal policy the Thatcherites have introduced. There is a widespread feeling that it is unfair. Consequently, Tory MPs feel more threatened by the poll tax than anything else. It is wholly just that its effect

Does Dulwich beckon? Few would deny that we are now witnessing the end-game of Mrs Thatcher's career

may have been to destroy its architects, and a delightfully piquant act of fate that a promise to abolish it might become the decisive factor in dethroning the more extreme ideologists of the new right.

Those who may mourn its passing on purist grounds might reflect that it was never likely to survive for long in its original form. Rebates and the panicky introduction of bribes for disgruntled voters have already distorted it beyond recognition; even if Mrs Thatcher has a fourth general election victory the future for the poll tax is to say the least uncertain.

The prime minister was becoming a lame duck on such matters even before Mr Heseltine entered the fray. One piece of evidence for this is the firm rejection of education vouchers by Mr Kenneth Clarke, who was made secretary of state for education just the other day. Only a few weeks previously Mrs Thatcher had indicated her strong preference for vouchers; she subsequently called in Mr Clarke's predecessor to press her case. Now Mr Clarke has outfaced her, in public.

The matter on which a change of prime minister might be expected to make an appreciable difference is, of course, Europe. Even here, however, it is a "might," not a "will". Those who express the greatest support for Mrs Thatcher's approach to the European Community often do so as a result of a strong identification of their instincts with their own. There is a perfectly respectable case to be made against a single European currency, or a European central bank, or, indeed, against irrevocable acts of political union. In one of her moods, Mrs Thatcher makes it. If the government of which she is prime minister were propounding this case as she does when she ad libs you might be able to argue that if you want to draw a line under Britain's present degree of integration with the EC, back her.

Your conclusion has to be quite different if you accept her official pronouncements, when read out as drafted. That version of the Thatcher government accepts a single currency, provided it is not imposed, and provided parliament votes for it first. Its suggested European monetary fund is not a central bank, but who can doubt that, after much argument with the other 11 members of the EC, it would come to look very like one? The prime minister may be able to prolong the debate, but in the end she is no more likely to be able to block the process than she was when it came to the single market, or entry to the ERM. Mr Heseltine has been careful to show his own nationalistic colours this week. He would be the most enthusiastic climber-aboard of the Eurotrain, but all other possible next prime ministers, from the foreign secretary, Mr Douglas Hurd to the Labour leader, Mr Neil Kinnock, would do a deal rather than go it alone.

Mr Hurd could salvage the Conservative party, even though there might be mutterings from some devoted anti-federalists. He is not, however standing for election and would be in great difficulties if the voting went to a second round and his nominated candidate, the prime minister, stayed in the contest. We can consider him if and when he gets out of that trap.

Meanwhile it would be quite wrong to assume that Mr Heseltine could easily unite the party, although if he could he would be well-placed to defeat Mr Kinnock. Some pure Thatcherites say they would rather have a spell in opposition than see Mr Heseltine in Downing Street. What would be missed at the top, they protest, would be their heroine's intellectual honesty – which is imperfect but greater than that of most politicians. This is not a virtue they ascribe to her challenger, as we shall doubtless hear over the next few days. Meanwhile, I cannot help reflecting on one supposedly divisive characteristic that Mr Heseltine shares with the prime minister. She is an enthusiast, a fighter for schemes in which she believes. So is he. She enjoys being elective dictator, even though she is now less able to dictate than she was. He would absolutely adore it.

LETTERS

Fatal error of the vanguard in history

From Messrs Anthony Baron and Robert McGarvey.

Sir, Mr Siedentop ("Thatcherism's inconsistency," November 7) makes a welcome contribution to the debate on British democracy, its relation to the development of a prosperous enterprising society and its critical effect on Britain's role in Europe.

This fundamental issue has not received the attention it deserves due to the general failure by liberals to address the whole concept of change. Consequently in Britain little effort is directed towards understanding the need to accompany the advance of economic liberalism with greater dispersion of political power.

Mr Siedentop is correct. The Thatcher government has done the nation a great service in championing the dispersion of economic sovereignty. It has unleashed powerful forces by opening the door to consumer capitalism. Economic liberalism has created in its wake a property-owning populist majority dedicated to capitalist development. The great irony, as pointed out by Siedentop, is that this very success has occasioned the urgent need to consolidate that majority by empowering them politically.

When in the past Britain has achieved the perfect harmony between the will of the people and the institutions of power the result has been a unity which propelled the nation to a leading world role. The great cultural and economic bloom of the Elizabethan age and the remarkable growth of the 19th century were preceded by reforms, or dispersions of power, which led to periods of growth and advancement.

As with other vanguard parties, such as the Bolsheviks, the Tory Party under Mrs Thatcher has used concentrated political power to bring about revolutionary economic change. The fatal error of the vanguard in history has been its singular inability to recognise the critical moment when, to maintain the momentum of change, power needs to be dispersed, completing the process and giving it permanence. The need for parliamentary reform is now vital.

A. Baron, R. McGarvey,
directors,
Baron, McGarvey,
Century House,
100 Oxford Street, W1.

Incomprehensible voting systems

From Ms Rosie Sharpley.

Sir, It has at last become clear that an election for the leader of the Conservative Party will take place shortly. As a Liberal Democrat councillor I find it incomprehensible that both the Conservative and Labour Parties elect their leaders other than by a universal vote of their members.

Rosie Sharpley,
13 Alterton Close,
Woking, Surrey

Debt relief trick or treat

From Mr P.J. Martin.

Sir, Are the new rules on value-added tax bad debt relief (clause 10 of the Finance Act 1990) really the generous gesture we are led to believe.

For the first time bad debt relief is available to creditors of companies which have not been declared formally insolvent – but only after two years have elapsed, and then only after the debt has been written off in the accounts.

The drawback is that, although until now VAT bad debt relief became available to creditors immediately a debtor company was declared formally insolvent, under the new scheme they must wait two years and write off the debt.

Calls from professional bodies to run a dual system whereby creditors may claim immediately in the case of a debtor's formal insolvency, and after two years in other circumstances, have so far fallen on deaf ears.

Meanwhile, with the recent dramatic increase in company failures – and with the introduction of the "wait-two-years" rule – the cash flow of many relatively small businesses is suffering. Is this really generosity, or is it a classic case of giving with one hand and taking away with the other?

P.J. Martin,
chairman,
Institute of Credit Management,
Easton House,
Easton on the Hill,
Stamford, Lincolnshire

The taxpayer and duty free

From Mr Brian Flint.

Sir, The duty free debate goes backwards and forwards, but I hope that you will not stop the game with the ball in BAA's court.

Of course duty-free goods represent excellent value to the purchaser, as Sir John Egan says (Letters, November 9). They do so because they are subsidised by government and in spite of the fact that a significant proportion of the subsidy is creamed off by BAA and its concession holders.

The only relevant question is: why should the average taxpayer be required by government to subsidise in this way the airport operators, their concession holders and the travellers, the majority of whom can well afford to pay the full, duty-inclusive price for alcohol, tobacco, perfume and other luxuries?

Brian Flint,
2 Grande Rue des Verrines,
Néry,
France

Odds are on pre-cast

From Mr Michael Brown.

Sir, Lynton McLain's article ("A veteran workhorse keeps pace," November 1) contains British Steel statistics that are both misleading and questionable.

Structural steel ex-mill has dropped in price in real terms in the 1980s but fabricated steel – the sort that gets to site – has risen and fallen over the same period, depending on the market and the fabricator.

The article's chart, comparing the prices of steel, concrete and precast concrete, is misleading.

Structural steel ex-mill and ready-mixed concrete are ingredients of structures and require other elements – such as fire-proofing for steel and reinforcement and shuttering for ready-mixed concrete – to produce a structure.

Precast concrete by contrast can deliver a complete structure, frame floors and fire protection, from a single sub-contractor who takes the responsibility for design, manufacture and erection.

So the chart does not compare like with like, or provide an accurate indication of which framing method provides the most economic and cost-effective structure.

Clearly in the current building industry recession there will be bargains around as steel fabricators desperately seek volume in a shrinking market. But they are unlikely to tempt back those customers who have turned away from steel because of the volatility of price and uncertainty of quality and who have chosen instead precast concrete which offers consistent high quality and economy within guaranteed short time scales.

In the current environment – to pursue the equine metaphor – precast concrete is odds-on favourite.

Michael Brown,
chairman,
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FINANCIAL TIMES
Thursday November 15 1990

More than 1,500 policemen yesterday forcibly evicted hundreds of young squatters from nearly 130 east Berlin tenements in pitched house-to-house battles, in some of the worst violence in Berlin in recent years, Leslie Colitt reports from Berlin.

The squatters hurled Molotov cocktails, flares and paving stones at the police who used armoured vehicles and water cannon. Ten police were reported injured, one seriously, and a number of squatters were taken to hospital. At least 300 squatters were arrested.

Mr Walter Momper, the Social Democratic mayor of west Berlin, said he was deeply disturbed by the extent of the disorders and the readiness to kill policemen. He said the "criminal violence" had nothing to do with political protests.

Interior Ministry official Mr Horst Waffenschmidt signalled a firmer stance by the authorities against the recent upsurge in violence in the east, warning that the police would take tough measures to protect the newly-won freedom in east Germany.

A young Berliner was shot dead by police recently during clashes between rival football fans in Leipzig and there has been a sharp rise in attacks by skinheads and other rightwing extremists. The Berlin squatters, however, were described by one Berlin official as the "spoilt children of southern German academics."

Germany to cut spending by DM35bn

By David Marsh in Bonn

GERMANY plans to cut government spending by DM35bn (£23bn) next year, Mr Theo Waigel, finance minister, announced yesterday, admitting publicly for the first time the seriousness of the country's budgetary problems caused by the unexpectedly high cost of German unity.

Mr Waigel said he would seek fresh contributions from the west German Länder (states) to help lower the soaring budget deficit.

A rise in the public sector deficit above next year's projected DM140bn "would not be acceptable for the capital markets" and would lead to a rise in interest rates, he said at a news conference after the weekly cabinet meeting. Without spending cuts, the 1991 deficit would have topped DM180bn.

Details of the cuts remain vague, partly because Mr Waigel wants to delay unpopular decisions until after next month's general election. Over the medium term, he plans spending reductions rising to an annual DM70bn by 1994.

He said that the government would be making sharp cuts in defence spending and would seek reductions in regional subsidies for former border regions previously disadvantaged by German division.

He heralded tough discussions with the Länder – after the elections – on increasing the states' share in the financing of unity.

The overall public sector deficit next year (compared with DM117bn this year) is more than DM40bn above the projected figure announced by Mr Waigel in July. This reflects a big increase in east German unemployment and a much higher bill for social security and industrial support east of the Elbe.

Mr Waigel will try to modify the government's concession to the Länder in the early summer, which kept two sets of the states' basic financing arrangements unchanged up to 1992 and 1994 respectively.

The minister said that expectations about economic growth in east Germany were now "stable". However, his projections for economic growth next year – 3-3.5 per cent in west Germany and 2-3 per cent for the whole of Germany – are widely regarded as optimistic.

Fears about further economic difficulties in east Germany were underlined by the separate comments of a senior Bonn economic policy official who said that east Germany's trade with eastern Europe was likely to "collapse" in 1991.

The New Year would see a stream of bankruptcies of large east German companies, he added.

As part of its package of financing measures, the Government seems likely to decide an increase in unemployment insurance contributions. this will be partly offset by a cut in payments for pensions, where central social security funds are at present in large surplus.

Bonn will also be considering a range of privatisation measures, as suggested recently by the Bundesbank. Next year's DM140bn public sector deficit – including central, regional and local government and various centrally operated funds, but not the Treuhand holding agency – will be 5 per cent of gross national product. The main elements of the deficit will be DM70bn for central government, DM35bn for states and municipalities in east Germany and DM31bn for the German Unity Fund.

Supreme Soviet declares open revolt

By Quentin Peel in Moscow

THE SUPREME Soviet in Moscow, national parliament of the Soviet Union, declared open revolt yesterday, against its own growing powerlessness and the collapse of central authority.

By an overwhelming majority, the deputies refused to consider any new legislation until they had held an emergency debate, set for tomorrow, on the national crisis, which they wanted to be addressed by President Mikhail Gorbachev. He immediately agreed to do so.

The Supreme Soviet demanded a briefing on Mr Gorbachev's proposals for a new union treaty, the constitutional basis for a future Soviet state, and on his meeting last weekend with Mr Boris Yeltsin, president of the Russian federation. They also called on Mr Yeltsin, and presidents of the 14 other republics, to attend the debate.

The move means that legislation abolishing or overhauling dozens of important government ministries has been delayed indefinitely, along with reforms concerning foreign currency and customs tariffs.

The vote amounts to a belated and bitter recognition by the deputies of the growing chaos in the country, the popular fury at worsening food supplies, and at their own powerlessness in the "legislative war" between the national parliament and the 15 republics.

The deputies' revolt came amid new evidence of the confrontation between the republics and the centre, and as the Soviet government pressed ahead with measures for drastic reform of the economy.

In Georgia, Mr Zviad Gamsakhurdia, veteran nationalist leader and a fervent proponent of outright Georgian independence, was elected president of the new parliament, after his round table of nationalist parties defeated the Communist party in recent elections.

In Moscow, Mrs Kazimiera Prunskiene, Lithuania's prime minister, arrived to seek the support of the radical Moscow city council to prevent a renewal of the union blockade of her republic which she says the central government is threatening.

As for the central government itself, it produced the latest salvo in plans to move to a market economy, declaring complete price liberalisation for luxury products from today. Drastic price rises on luxury items are now likely.

Back in the Supreme Soviet, the deputies returning from their constituencies after last week's national holiday confessed to their total frustration and fear.

"If we fail to take some sort of measures, people will go into the streets to defend their children, people will take up arms," said Lieutenant-Colonel Viktor Alksnis, a military deputy from Latvia.

Heseltine issues challenge

Continued from Page 1
he believed it was vital for the Conservatives to maintain their support in Britain's major cities.

Arguing that Labour was no stronger than at any time since Mrs Thatcher first took office in 1979, he added that: "The Conservatives must win in the the industrial heartlands on which the balance of power in Britain depends".

The former defence minister also went out of his way to try to win the support from both the right and left of the party by stressing that any government under his leadership would see collective cabinet government fully restored.

For his allies at Westminister it captured the "mood of change". Others were not yet convinced.

"It is an attractive package. . . but if we are to get Thatcherism in a different way, why do we need to change the leader?" asked one.

Tories attack challenge

Continued from Page 1

Downing Street said the prime minister was determined to "fight and win".

Her campaign was boosted within hours of Mr Michael Heseltine's declaration that he was to challenge her by a statement of support from Lord Whitelaw, who was deputy prime minister before Sir Geoffrey took up the post.

"I believe profoundly that at this time our country badly needs her courageous, determined leadership as prime minister," he said. He was convinced that the party would win the next election united under her leadership.

Mr Kenneth Baker, the party chairman, said Conservative MPs owed their position to Mrs Thatcher's "political skills and unprecedented electoral successes".

The party should be concentrating on fighting Labour, he added.

Meanwhile, Mr Michael Howard, the employment secretary, described Mr Heseltine as "the most divisive figure in the party for the past five years".

Mr John Cunningham, Labour's campaigns co-ordinator, called for a general election, saying it was "shameful" that at such an important time there was no effective government. "Once again the Tories are letting the nation down."

● Sterling fell steeply yesterday as London's financial markets reacted unfavourably to the prospect of a Thatcher defeat in a leadership contest, writes Rachel Johnson.

The pound dropped two pfennigs against the D-Mark to close at DM2.8875, within four pfennigs of its lower effective limit in the exchange rate mechanism.

Sterling's decline led to losses in both equities and government bonds, with the FT-SE 100 share index closing down 10.0 at 2,046.0. Gilts lost about a quarter of a point.

Bush heads off Gulf pressure

Continued from Page 1
to have reached a temporary understanding, Mr Mitchell warned that if Mr Bush did take a decision to use military force, the US constitution required him to seek the authorisation of Congress. The administration has always refused to say it would seek prior approval and the senator said Mr Bush made no commitment either for or against.

Mr Baker hinted that military operations could be conducted for up to 90 days before seeking congressional and international approval.

Mr Mitchell said Mr Bush had not taken a final decision about the effectiveness of sanctions in achieving their objectives.

Before the meeting, Senator Robert Dole, the Republican minority leader, warned that "with the election over and the budget behind us, the American people are starting to focus on this."

Saudi women in drive for greater equality

By a Correspondent in Riyadh

WHEN 50 Saudi women assembled at a shopping centre in Riyadh last week and drove their cars in defiance of the Saudi ban on women drivers, it was an unprecedented public protest which underlined how the Gulf crisis has shaken up Saudi society.

But when the Interior Ministry this week reaffirmed the ban in a Saudi television broadcast and said women drivers would be punished to prevent the "portents of evil", it was a sign of how little has really changed in the kingdom's conservative and male-dominated Islamic society.

Six of the women have been suspended from their teaching posts at King Saud University in Riyadh, where there were angry protests by fundamentalists. A petition described them as "fallen women who called for corruption on the earth".

The women behind the steering wheels learned to drive abroad. They wanted to make the point that they disliked being dependent on male relatives or male employees for transport, particularly in a time of crisis when Kuwaiti women refugees and US service-women have been seen driving vehicles.

Saudi women, however, have more on their minds than driving: they want to be useful. In a groundswell of patriotic fervour, Saudi women are coming to the government in droves and asking how they can help if war breaks out.

Much to everyone's surprise, when King Fahd called on women early in the crisis to volunteer their services in humanitarian and medical fields, more than 15,000 heeded the call, signing up for training that would eventually have them working side by side with men in hospitals.

In a society where women and men are segregated in most public places this is pushing back the boundaries of tradition.

"This crisis is like throwing a stone in the water," says one young Saudi hospital official. "There are waves that ripple throughout the society. It has made us think about everything. For instance,in the event of war, who is going to operate and staff many of our services if most of the men are at the front and many of the expatriates have gone home?"

Women do work now to a limited degree as owners of shops, as doctors, teachers and as bankers in the small number of women's branches of Saudi banks; but opportunities are few. One of the largest stumbling blocks is the segregation requirement which makes it uneconomic for businesses to hire women, and this does not appear likely to change.

While women may be optimistic that more jobs will open up as a result of the crisis, there is only one career that is clearly getting a push from authorities in the short term – nursing.

The need for Saudi nurses in the kingdom became acutely apparent in the aftermath of the Iraqi invasion of Kuwait. During the first few weeks of August, hospitals lost a significant percentage of foreign nurses because of the fear that Iraq would attack Saudi Arabia itself.

Nursing has in the past been considered by Saudi women to be a less than respectable profession, but the crisis has changed this perception dramatically and the new volunteers see themselves as latter-day Florence Nightingales ready to support their men at the front if needed.

Everyone from princesses to bedu women are signing up for the volunteer training programmes;8,000 have taken the two-week course so far. The Health Ministry plans to push 5,000 Saudi nurses a year on to the market.

The backlash to the protest by women drivers has been a severe setback, but Saudi women talk of a new spirit of patriotism and self-esteem as result of their role in preparing for a future conflict.

When asked who will tend to the wounded if all the expatriate nurses flee the hospitals at the first sign of war one 24-year-old volunteer answered with conviction, "We're going to do it."

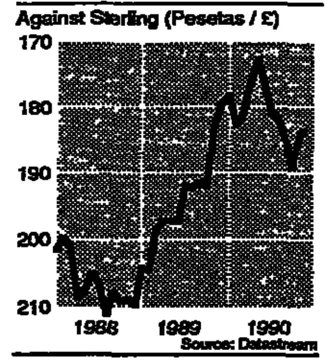
THE LEX COLUMN

Sterling in the firing line

While it is too early to talk of a sterling crisis, the effects of the Tory party's travails are all too apparent. Yesterday's close of DM2.8875 is still clear of the ERM floor, now down to DM2.84 because of further peseta weakness. But that weakness in turn owed something to a sharp rise in Spanish inflation, which presumably suggests future tightness in Spanish monetary policy. If further sterling weakness threatened the UK government with a rise in base rates, it might have to rely for survival on the willingness of the Bank of Spain to ease again. Is this what ERM stability was supposed to be about?

Not least among the foreign exchange market's problems is working out which outcome to the leadership contest it would dislike most. The answer is probably for Mrs Thatcher to win narrowly and hang on, thus opening the way to an early Labour victory. Conversely, the most popular result would probably be an outright Thatcher victory and the prospect of another 18 months of relative stability. In between those two, the reaction to a change of leadership might come down to a tussle between the domestic appeal of a prime minister more committed to the ERM and foreign distrust of an unknown quantity.

In sterling's favour is tha fact that the system has previously shown itself tolerant of deviation by weak currencies within the 6 per cent bands. In addition, the present high level of the UK's reserves gives the authorities considerable firepower. But the UK market is still bedevilled by ignorance of how the system works; and in particular, how it interacts with a governmental crisis.



British Airways

British Airways' interim figures look terrific compared with the competition. Despite its second half profit warning, it should still be able to make clean pre-tax profits of close to £200m in the year. Add on another £100m of aircraft profits and the year is still likely to be BA's second best ever. Given that a well-financed competitor such as American will be lucky to break even, BA's performance is impressive. But that is no longer a good enough reason to invest in it.

This is one of the great cyclical stocks. If one is nervous about the dividend paying capacity of British Steel or ICI, BA could give one nightmares. At the moment everything is going wrong. Fuel prices have soared, its two biggest markets are heading into recession and it is taking delivery of more new capacity than it can fill profitably. Revenue growth on long-haul routes, which provide the bulk of the profits, was less than 5 per cent last month, compared with nearly 15 per cent in July. BA's undoubted marketing skills could not prevent a 4 per cent drop in second quarter passenger yields, and the decline looks even worse when set against double digit inflation in the UK.

The operational gearing is huge; and when BA's 9 per cent yield is set against similar on offer from NatWest Bank or GKN, there is further downside risk, especially in a bear market. The big proviso, which has surely not gone unnoticed, is that this stock is the most obvious beneficiary of any resolution of the Gulf crisis.

Boots

If you closed your eyes yesterday, Boots sounded eerily like its old self. It produced old-style interim profits increases from its traditional businesses; pharmaceuticals up 13 per cent, Boots the Chemists up by twice as much. Despite unchanged year-on-year sales, gross margins in the chemist stores were more than 2 per cent better, while cost increases were held at 7 per cent. In this environment, to grow overall trading profits by more than a quarter is astonishing.

All that only serves to emphasise the dilutive nature of the Ward White acquisition. In particular, Halfords failed to match its reputation as the jewel in the crown, its difficulties suggesting it contains nasty fixed costs and too much immature space. The pre-interest contribution from the Ward White businesses in the full year will probably come in around £30m. Related interest charges in the first half alone were £26.8m.

If that makes for chronic bad timing, consider also that without Ward White but with money in the bank Boots might have achieved earnings growth of more than 20 per cent in a supposedly impossible market. Instead, earnings growth will be 3 per cent, supposing full year profits of £370m before tax. Given the Manoplax factor, Boots's shares deserve something of a premium rating; but shareholders have arguably been let down. Current net debts (excluding convertible bonds) of £385m should be down to £270m by the year-end, implying cash inflows of around £120m. All of that, of course, comes from the original business.

Composite insurers

Juggle the numbers, and the wealth destruction suffered by the composite insurers this year looks truly awful. General Accident lost in the first nine months not just the £78m pretax shown in its P&L account, much of it from storms and subsidence. Another £1bn has vanished off shareholders' funds thanks to the capital markets, cutting its solvency margin to 50 per cent, a level last seen by GA in the 1970s. For the investor, the problem is whether composite share prices have already taken all this fully on board.

That is hard to call. Dividend prospects still look dodgy for most composites. Assuming GA's full year payment rises in line with the interim, its dividend cost is going to be one-twelfth of net assets, too high a proportion to be really comfortable. But GA's shares are already yielding 8 per cent historically, which discounts much disappointment.

The stock market could well be on the verge of another mood swing, from worrying about the composites' balance sheets to ramping up the shares on the basis of GA's confident talk about raising premium rates. If so, this probably needs tempering with caution, especially given a lingering danger of rights issues. One rather red herring was yesterday's £27m taxable profit from Commercial Union. CU's life business, strong claims reserves and relative under-exposure to some of insurance's real nasties make it rather a special case.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Berlin	C	10	50	Caracas	C	28	82	Faro	F	19	66	Islamabad	F	24	75
Algiers	F	19	66	Biarritz	C	15	59	Casablanca	S	21	70	Florence	F	14	57	Istanbul	F	13	55
Amsterdam	C	12	54	Bombay	S	31	88	Chicago	S	4	39	Frankfurt	R	10	50	Jakarta	R	32	90
Athens	C	16	61	Bordeaux	C	15	59	Cologne	R	11	52	Geneva	C	9	48	Jersey	C	13	55
Bahrain	S	26	79	Boulogne	C	13	55	Copenhagen	Fg	9	48	Gibraltar	S	19	66	Johannesburg	S	31	88
Bangkok	C	31	88	Brussels	C	13	55	Corfu	R	13	55	Glasgow	R	11	52	Lima	C	19	66
Barcelona	F	17	63	Budapest	C	4	39	Dallas	S	9	48	Helsinki	S	-2	28	Lisbon	F	18	64
Beirut	-	-	-	Buenos Aires	R	26	79	Dublin	C	11	52	Hong Kong	-	-	-	London	C	13	55
Belfast	C	10	50	Cairo	S	27	81	Dubrovnik	C	17	63	Innsbruck	C	7	45	Los Angeles	S	13	55
Belgrade	C	12	54	Cape Town	F	18	64	Edinburgh	C	11	52	Inverness	C	10	50	Luxembourg	Dr	10	50

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	20	68	Milan	C	6	43	Nicosia	S	22	72	Salzburg	R	7	45	Tenerife	F	23	73
Madrid	S	16	61	Montreal	S	-7	19	Oporto	S	18	64	San Francisco	C	12	54	Tokyo	S	20	68
Majorca	S	19	66	Moscow	Sn	1	34	Oslo	Dr	5	41	Seoul	F	18	64	Toronto	S	-2	28
Malaga	C	18	64	Munich	R	8	46	Paris	C	12	54	Singapore	F	30	86	Tunis	C	19	66
Malta	F	19	66	Nairobi	-	-	-	Peking	C	12	54	Stockholm	R	5	41	Valencia	F	17	63
Manchester	F	11	52	Naples	S	18	64	Prague	R	6	43	Strasbourg	C	11	52	Venice	S	14	57
Manila	C	31	88	Nassau	C	27	81	Reykjavik	C	6	43	Sydney	S	28	82	Vienna	S	8	46
Melbourne	C	16	61	New Delhi	S	27	81	Rhodes	F	18	64	Taipei	F	28	82	Warsaw	C	4	39
Mexico City	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Rio de Janeiro	[illegible]	[illegible]	[illegible]	Tangier	S	22	72	Washington	-	-	-
Miami	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]	Tel Aviv	S	22	72	Zurich	R	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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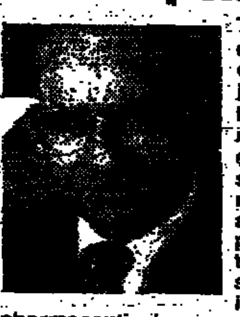
INSIDE

Cetus gives up dream of independence



The long-cherished dream of one of the oldest and largest remaining independent US biotechnology companies has come to an end. Cetus is actively seeking "stragetic partners", reportedly from among the giants of the pharmaceuticals industry. "It no longer makes sense to try to be an independent stand-alone pharmaceutical company," Ronald Cape, (left) chairman and chief executive, told shareholders this week. Page 27

Lion Nathan soars 61%

Lion Nathan, the New Zeland brewer, has reported a surge of almost 61 per cent in pre-tax profits to NZ$75.6m (US$45.4m) on lower sales of NZ$2.51bn. The group's results are the final figures before taking into account its acquisition of half of Bond Brewery's Australian interests. Its restated balance sheet including Lion's investment in National Brewing Holdings, the Bond joint venture, showed debt, including current liabilities, rising to NZ$1.5bn from NZ$813.28m. Page 28

Bleak times for big UK insurers

Adverse conditions in the UK have hit profitability at two leading insurers. Pre-tax losses at General Accident at the nine-month stage reached £73m, compared with a £137m profit for the corresponding period last year. Pre-tax profit figures at Commercial Union's are also well down in the third quarter, a period that normally is favourable to composite insurance companies in Britain. Page 32

Winning racket

A casual walk down Athens' Sophocleous Street passes by the small, but crowded Stock Exchange, where successful traders are easily spotted by their barrel chests and flamboyant gestures: survival in the bourse's open outcry system demands strong vocal cords and a knack for getting attention. The Greek exchange has steadily fallen since a surge in activity between January and July — known as the casino days of spring. The index even plunged 7.2 per cent in a single day this week. Kerin Hope reports. Back Page

12 angry men gather in Dublin

Today's meeting in Dublin of the 12 chairmen of the European Community's national bourses will focus on how to create a new market for cross-border equity trading in Europe. At least three competing proposals will come under scrutiny and there is already intense competition between options preferred by Paris and London. The rivalry, in fact, threatens to bring the entire project to a halt. Richard Waters reports. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	700	+	15
Deckel (Fr.)	144	+	9
Coldschmidt(TH)	719	+	14
Falls			
Holzmann (P)	1280	−	30
Muench Rck	2150	−	70
Springer Axel	740	−	10

NEW YORK ($)			
Rises			
Citicorp	14⅛	+	¼
IBM	113⅞	+	1⅞
Philip Morris	48⅞	+	½
USX	32⅝	+	⅝
Falls			
Am Express	22⅛	−	¼
Ericsson Tele	37¼	−	2

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Damart	1974	+	69
Dollfuss Mieg	376	+	10.0
Fromageries	1710	+	50
Falls			
Carrefour	3380	−	110
St.Gobain	363	−	16.5
Spie-Batignol	368	−	14

TOKYO (Yen)			
Rises			
Mizuno	1810	+	20
Takeda Chml	1750	+	10
Falls			
Hazama Gumi	1300	−	30
Honshu Paper	2590	−	50
N'matsu Cosim	1370	−	40
Nippon Steel	405	−	8

LONDON (Pence)							
Rises				Electrocomps	180	−	13
Principal Hils	27	+	4	Eurotunnel New	118	−	50
Redland	552	+	24	Laporte	486	−	18
Sotheby's A	513	+	50	Lloyds Bank	270	−	7
VSEL Consortm.	370	+	16	Pstard Gemar	37	−	8
Falls				RHM	265	−	10
Argos Comms.	138	−	10	Ratners	171	−	12
Assoc Br.Ports	183	−	10	Sec'l Cowells	25	−	3
BOC	489	−	11	Shaw (A)	60	−	4
Brit Airways	131	−	7	Warburg(SG)	289	−	14
Cheml. Bnatn	445	−	12				
Davy Corp.	58	−	5				

Siemens earnings up 6% to DM1.6bn

By Andrew Fisher in Frankfurt

NET PROFITS at Siemens, the German electrical and electronics group, picked up sharply in the final quarter of the 1989-90 financial year, boosting annual profits by 6 per cent to DM1.67bn ($1.1bn). Shareholders will receive a dividend of DM13 a share, up from DM12.5.

The group said economic growth had slackened in some of its important markets, with the weaker dollar also eroding business growth in D-Mark terms. Siemens did, however, say that it would benefit more from a higher level of new activities through acquisitions than of business lost through disposals.

The 5 per cent rise in profits for the final quarter to DM530m compares with a drop of 11 per cent to DM387m in the third quarter. Sales fell in the third quarter because the same period of the previous year had included a large nuclear power station order.

Siemens said yesterday that its business benefited particularly from the strong economic trend in the first half of its financial year to September 30, 1990. Earnings in the first six months showed a gain of 15 per cent.

The annual results also reflected lower losses in the US market, though Siemens had to bear the impact of write-downs on its securities portfolio as a result of stockmarket declines and higher losses in semiconductors due to lower memory chip prices.

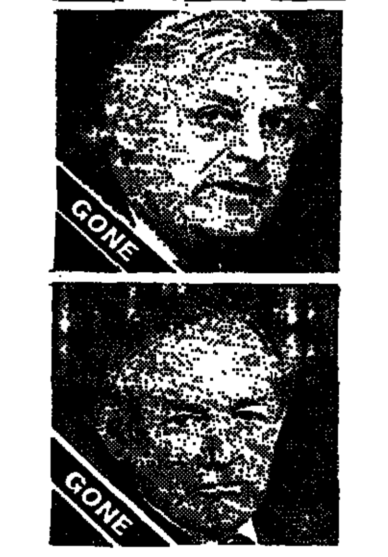
Turnover rose by only 4 per cent during the year to DM63.2bn. Most of the advance came from a 7 per cent rise in foreign sales while the volume of domestic business was virtually unchanged. After allowing for the absence of big power station orders last year, however, turnover showed a rise of 11 per cent, including a 15 per cent advance in Germany.

One of the company's fastest growing sectors was computers and information systems, which has since been boosted through the acquisition of the troubled Nixdorf Computer group.

The group's order inflow was 8 per cent higher at DM68bn. New foreign orders were up by 12 per cent.

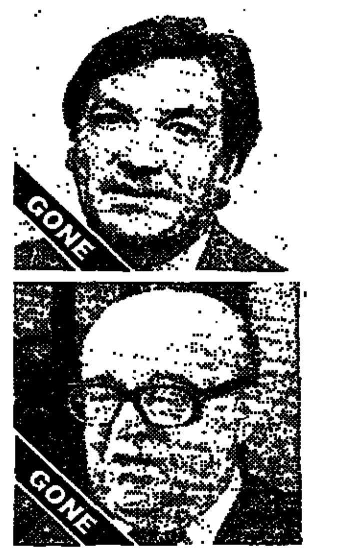
Domestic orders were 3 per cent above the previous year's level, which had benefited from several big orders.

Business sectors showing a high rate of new activity included transport and energy equipment, public telecommunication networks, and automation technology.



The laggards–worst performing high-liquidity stocks

	Share price (pence) at October 20, 1987	Share price (pence) at November 13, 1990	Fall %
Saatchi & Saatchi	413.00	38.00	90.80
Next	271.00	28.00	89.67
Ferranti Intl.	86.80	16.50	80.99
Berisford Intl.	154.40	30.00	80.57
Bunzl	201.00	58.00	71.14
Cookson Group	279.00	90.00	67.74
Burton Group	211.00	72.00	65.88
Coats Viyella	309.00	114.00	63.11
Beazer	221.00	91.00	58.82
Manpower	116.00	48.00	58.62



Clockwise from top left: Tony Berry (Blue Arrow/Manpower), Maurice Saatchi (Saatchi & Saatchi), Sir Ralph Halpern (Burton), Sir David Alliance (Coats Viyella), George Davies (Next), Ephraim Margulies (Berisford), Michael Henderson (Cookson), Brian Beazer (Beazer), James White (Bunzl), Sir Derek Alun-Jones (Ferranti)

Life at the top gets riskier

By David Owen and Richard Lapper

SIR RALPH Halpern's Burton Group is one of a select but ignominious club: the ten UK big-company shares still trading that have done worst since the crash of October 1987.

Today, when Sir Ralph reports the retail chain's annual profits, he may pay the same price as other members of this group, by giving up part or all of his job.

This month's resignations at Bunzl and Cookson Group mean that no fewer than eight of the ten companies have made such top-level management changes.

If, as has been widely rumoured, Sir Ralph this week relinquishes some or all of his executive duties at Burton, Mr Brian Beazer's Beazer construction group would be the only member of the club with senior management intact.

Departing executives include Mr George Davies, ousted as chairman and chief executive of the Next fashion chain; Mr Tony Berry, who gave up his executive duties at Blue Arrow, the employment agency group; Mr Ephraim Margulies, who resigned as chairman of Berisford International, the diversified sugar group; and Mr Michael Henderson, who this month resigned as chairman and chief executive of Cookson, the industrial materials group. In two cases, those of Maurice Saatchi of Saatchi & Saatchi and Sir David Alliance of Coats Viyella, the chief executive title has been relinquished but they have remained as chairman.

A decade ago, a study of companies with poorly performing shares would have yielded nothing like this executive casualty rate. Instead, British corporate history has been littered with instances – British Leyland, Dunlop, Chloride – where corporate decline was allowed to persist for too long.

Part of the explanation for the newly diminished job security is that institutional investors are wielding a bigger stick.

They are forcing executives to pay the price of injudicious expansion or diversification – the most common error in the cases listed here.

"We have seen fifty companies in the last five weeks," says Mr Roger Yates, a fund manager with Morgan Grenfell. "We let them have a firm view of what we want to see. This informal pressure is much more than it used to be."

One sign of hardening investor attitudes was a paper on corporate governance published in June by the Association of British Insurers. The paper penetrated deep into the question of how companies run their daily affairs – recommending, for instance, that companies divorce the roles of chairman and chief executive unless individuals are carefully monitored.

Since then, the economic slowdown, with its accompanying rash of insolvencies, has helped to concentrate minds further. And there are fewer takeovers, depriving institutional investors of a possible way of replacing incumbent managements.

The question, says Mr Hugh Jenkins, chief executive of Prudential Portfolio Managers, the investment arm of Britain's largest insurer, is "whether managers who presided over the growth of their companies in the 1980s will be able to see them through the new climate," as acquisition gives way to consolidation.

Mr Richard Regan, the ABI's investment affairs manager, believes there has undoubtedly been greater involvement by institutional investors in recent years. "When you get adverse operating conditions," he says, "shortcomings – if there are any – come more sharply into focus. In addition, shareholders and directors are better aware than in the past of the possibilities for remedial action."

Some institutions are starting to see selling out of an unfavoured stock as more of a last resort. "I think there is a growing acceptance that very often remedying a situation is [illegible] as productive if not [illegible] than walking away from [illegible]em." says Mr Regan. [illegible]ngly, institutions may [illegible] little choice but to [illegible] this approach. The rise of collective investment vehicles – pensions, unit trusts and so on – mean institutions own a growing proportion of shares and buying opportunities are limited.

All of this suggests that the top management of companies whose shares fall in the next group of poor performers may face some sticky meetings with institutions in months to come.

The next ten worst performers, for the record, are: Dixons Group, Trafalgar House, Storehouse, Standard Chartered, Carlton Communications, FKI, Amstrad, Granada Group, Pilkington and BPB Industries.

Remedial action is already under way at many of these companies; but the growing desire of institutional investors to make their views heard will ensure that managers remain under steady pressure to improve the performance of their shares.

Tribunal intervenes in Enimont battle

By John Wyles in Rome

A MILAN judge has stepped in to try to encourage a settlement of the bruising and discrediting battle over the future control and strategy of Enimont, the Italian chemicals group jointly owned by Montedison and its public sector rival, ENI.

Having taken under his control the two companies' 40 per cent shareholdings in the company, Mr Diego Curto, the president of the Milan Tribunal, yesterday forced the postponement for a week of an Enimont shareholders assembly.

The assembly had been called by Montedison and its allies in order to vote in a new board of directors and give the private sector chemicals group, headed by Mr Raul Gardini, control over all strategic decisions.

At an assembly on Monday Mr Curto similarly used his shareholding power to postpone until November 21 a decision on the restructuring of Enimont's agricultural fertilisers activities.

The temporary sequestering of the two main shareholdings was decided by the court last Friday, on the application of ENI. A full hearing which could confirm the sequestration has been set for November 30.

Mr Vincenzo Palladino who, as the judicial custodian of the 80 per cent block of Enimont shares, acts on Mr Curto's instructions made it clear yesterday that the Milan Tribunal would nominate its own board of directors next week unless something changes in the bitter Enimont-Montedison relationship.

On this he declared a note of optimism based on ENI's acceptance of the proposals of Enimont management – now controlled by Montedison – to restructure the loss-making agricultural fertilisers activities around a single company which may become a joint venture with other prospective partners.

This acceptance could be indicated at an Enimont board meeting tomorrow, although it is not at all clear that ENI accepts that the restructuring should also involve the sale of non-strategic assets.

Mr Curto himself may step in next week to bring the warring partners to the negotiating table to see if the imminent threat of a board of judicial appointees is pushing them towards a renewed dialogue.

Industry observers are not optimistic about the chances of a compromise. After all the blood that has been spilt, it would be Italy's corporate miracle of the year if the two warring factions were to discover the basis for a resurrected partnership.

BA warns on profits despite 23% increase in first half

By Paul Betts in London

BRITISH AIRWAYS said yesterday it was not likely to make a profit in the second half due to soaring fuel prices and slow traffic growth. The warning came as BA reported a 23.6 per cent rise in first-half pre-tax profits to £320m ($627m).

Suggesting the airline was likely to show a loss in the second half, Lord King, the BA chairman, said: "Given current trading and expenditure levels, we do not expect a positive contribution in the second half."

The bearish second-half outlook, coupled with an unchanged interim dividend of 2.8p a share, depressed BA shares which closed 9p lower at 131p yesterday. Some London analysts also reduced their full-year, pre-tax profit forecasts for BA from £300m to around £250m compared with pre-tax earnings of £345m for the last financial year.

Lord King said the airline was planning to take "some radical steps" to reduce costs in the face of the uncertainties caused by the Gulf crisis and the general economic slowdown. He ruled out, however, large-scale redundancies, the sale of prime routes, the cancellation of aircraft orders or the auctioning of key assets.

Both Lord King and Sir Colin Marshall, BA's deputy chairman and chief executive, emphasised that the company planned to pursue its strategy of developing a global airline.

The first-half profits of £320m included a gain of £37m from the disposal of older aircraft. After-tax profits for the first six months ended September 30 totalled £227m compared with £168m for the same period last year. Turnover in the first half rose by 8.7 per cent to £2.7bn.

Pre-tax profits in the second quarter were virtually flat at £164m compared with £163m in the same quarter last year.

Rising fuel costs remained the main uncertainty in the short term, BA executives said. However, BA had a strong balance sheet and unused credit facilities amounting to £1.8bn.

Lord King said the European Commission had asked BA to make concessions on its acquisition of a stake in Sabena World Airlines, but added: "These would cost us money and it is not our year to give anything away."

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Thorn sells lamp business to GE

By Alan Cane in London

JUST months after Thorn EMI failed to sell its lighting business to GTE of the US for £330m ($646.8m), the music rentals and technology group is selling its loss-making lamp manufacturing business to GE of the US for £69m.

The companies intend to establish a jointly-owned lamp marketing and distribution company in the UK in which GE will have the majority shareholding. After three years, Thorn EMI's 49 per cent stake will pass to GE.

Thorn EMI will, however, retain control of its profitable lamp fittings business, where it expects to be the European market leader.

Thorn EMI's revenues from lamp-making amount to £200m. This year, sales of fittings amounted to about £400m. In the first six months of the year, the lighting division had sales of £254m and losses of £1.3m. The lighting business has been badly affected by cuts in the building trade, although in a good year the percentage of pre-tax profits can run into double digits.

The deal spells the end of British ownership in the large-scale manufacture of lightbulbs – the foundation of the Thorn lighting company. It gives GE, the world's second-largest lamp manufacturer with sales of more than $1bn, an immediate 30 per cent share of the UK lamp market.

Despite its size, GE had a weak presence in the European lamp market, which is dominated by Philips of Holland and Siemens of Germany. Philips, the world market leader, derives £1.77bn in revenues from lamp manufacture and fittings, GE $1.81bn and Siemens £950m.

Mr Colin Southgate, Thorn EMI chairman and chief executive, was yesterday clearly delighted to be rid of the lamp manufacturing business. Anti-monopoly laws and the limited number of players in the world lighting business had meant that the choice of buyer was limited to GTE, GE or Japanese electronics groups like Toshiba and Matsushita, he said. London analysts agreed that the disposal, if not ideal, was better than persevering with a loss-making business.

Under the terms of the deal, which will have to be approved by the regulatory authorities, GE will acquire Thorn's lamp manufacturing facilities at Enfield and Leicester, its lamps and components operation at Mitcham, and Omega Lighting at New Malden.

Mr Southgate said that would form the core of the new company which is being formed to give the two companies time to disentangle Thorn EMI's lamp manufacturing activities from its fittings business.

Thorn EMI results, Page 32

INTERNATIONAL COMPANIES AND FINANCE

Astra upgrades growth forecast after 34% surge

By Robert Taylor in Stockholm

ASTRA, Sweden's biggest pharmaceutical group, yesterday reported a 34 per cent jump in profits before financial items, to SKr1.84bn ($332m), for the first nine months of 1990.

The strong performance has allowed Mr Hakan Mogren, chief executive, to upgrade expected growth for annual profits from 25 to between 30 and 35 per cent.

Astra's nine-month sales rose 27 per cent to SKr6.8bn. Profits per share jumped 41 per cent to SKr11.1.

Astra's attributed its strong profits partly to the success of its anti-peptic ulcer drug, Losec. World sales of the drug, including those through licensees, were around SKr1.4bn for the nine months, or almost 20 per cent of total group turnover. Losec is a rival to Glaxo's Zantac drug.

Astra itself recorded sales of SKr992m for Losec during the nine months, up from SKr211m for the same 1989 period. The drug has captured 20 per cent of the French market and around 15 per cent in Spain.

Earlier this summer, an advisory committee of the US Food and Drug Administration gave the go-ahead for the wider use of Losec. Astra said yesterday the FDA would ratify this decision within the next few months.

This would give a powerful boost to Losec sales in the potentially lucrative US market. At the moment, the drug is sold in the US through Merck, the world's largest pharmaceutical company, under a 1982 agreement with Astra. Its use at the moment, however, is limited to the treatment of relatively rare disorders caused by gastrointestinal acid.

Astra's fastest growing product group is agents for gastrointestinal diseases, with a 222 per cent climb in sales over the nine months to SKr1.13bn. There was 27 per cent growth to SKr1.65bn in sales of agents for respiratory diseases.

The company continues to invest heavily in capital spending projects, with SKr693m committed over the nine months compared with Skr400m for the same period of 1989. As much as SKr516m of that amount has been spent in its Swedish operations.

Dragados seeks control of CAE

By Tom Burns in Madrid

DRAGADOS Y Construcciones, Spain's biggest construction group, yesterday announced a Pta5.25bn ($56m) bid for 75 per cent of CAE, a profitable domestic electronics company that is a market leader in traffic signalling equipment.

Dragados already owns 24.8 per cent of the company, but its bid to take full control immediately ran into difficulties when Reucari Investments, which controls just over 25 per cent of CAE and appoints its management, said it did not intend to take up the Dragados offer.

Trading in CAE stock was suspended in Madrid yesterday, with the company's share price standing at a year's low of Pta1,100, down from Pta3,450 in January.

Dragados, which acquired its 24.8 per cent stake in CAE at Pta2,500 a share when the electronics group made a rights issue in June, is now offering Pta1,600 for the balance of the capital.

Despite Reucari's refusal to sell to Dragados, the bid is considered by CAE to be a friendly one. Mr Domingo Curcio, a CAE director, said that the company's executives had "an excellent and intimate relationship" with the Dragados management and were anxious to develop projects between the two groups.

Under Spanish legislation, the management of a target company in a takeover bid is not required to issue a recommendation to shareholders.

Mr Curcio said CAE's other stockholders, 15 per cent of whom are believed to be non-Spanish, were "free to hold or sell".

Valeo sells ignition business to Sagem

By William Dawkins in Paris

VALEO, France's main supplier of automotive parts, has sold its FFr500m ($100.6m) annual turnover ignition business to Sagem, the electronics and defence group. It is Valeo's ninth disposal this year.

No sales price is being revealed, but Valeo has already raised FFr500m – more than its net profits for the first six months – from asset sales so far this year. The sell-off is part of its strategy of focusing on products where it can hold European market leadership.

The deal allows Sagem, which already makes dashboard instruments, to expand in engine controls.

Based at Saint-Florine, near the Loire, Valeo's ignition plant employs 800 people. Other recent disposals include three other factories in France; Cartier Industrie, a plastic injection moulder; the instrumentation business of Delanair in the UK; the cooling accessory business of Mitchell in Spain; and Hampton, a US producer of lighting units.

The disposals will also ease the strain on Valeo's balance sheet, burdened by the borrowings built up to fund an ambitious acquisition programme which climaxed with last year's Fr1.5bn takeover of Blackstone, the US maker of cooling and air conditioning systems.

DG Bank chairman announces resignation

By Katharine Campbell in Frankfurt

MR HELMUT Guthardt, chairman of Deutsche Genossenschaftsbank, Germany's fourth largest bank, announced his resignation yesterday after a series of problems that have dogged the bank for months.

DG Bank said the supervisory board had agreed to Mr Guthardt's wish to leave after next year's annual meeting.

Chairman of DG since 1981, Mr Guthardt (pictured) has presided over an ambitious attempt to create an internationally competitive universal bank out of an institution serving the liquidity needs of the country's co-operative

banks. The desire for growth, seemingly at the expense of rigorous internal management, has repeatedly drawn the bank into controversial waters.

Earlier this year, a messy dispute over bond transactions with a number of French banks nearly toppled Mr Guthardt. Four bond traders were arrested, a criminal investigation was started, and the vice-chairman was forced to resign.

DG also ended up with 67.5 per cent of Co op in the course of a rescue operation for the supermarket chain.

This unfortunate chapter now looks close to ending happily with the recent announcement that retailer Asko would buy out the shareholders at a price expected to give DG a profit.

Boots held back by acquisition costs

By Jane Fuller in London

THE COST of borrowing associated with the £900m ($1.8bn) purchase of Ward White reduced the pre-tax profit increase at Boots, the UK retail chemist and pharmaceuticals group, to 1 per cent in the first half.

While Boots' trading profit advanced by 26 per cent to £188.5m in the six months to September 30, the cost of servicing debt shot up to nearly £27m, whereas the group received £10.6m in interest payments in the corresponding period last year. Pre-tax profit totalled £161.7m, against £159.9m.

The largest part of the Ward White acquisition was Halfords, which deals in car parts and accessories. Sir James Blyth, Boots chief executive, admitted that its performance had been disappointing. Although it contributed £140.4m to group sales of £1.73bn, its trading profit was only £2.6m.

The disappointment was mitigated by another strong performance from Boots The Chemist, where trading profit improved by 40 per cent to £88.2m, compared with £62.9m a year ago, on a small sales advance to £1.09bn from £1.04bn. Sir James said that, leaving aside a pensions holiday and changes in central charges, growth had still been 26 per cent.

Key factors in the success of the 1,059 shops included higher profit lines, tough negotiations with suppliers, and tight cost control. Over the past three years, profit per square metre had doubled, thanks to the use of information gathered from 9,500 Epos (electronic point of sale) tills.

In pharmaceuticals, trading profit went up 13 per cent to £61m on a 6 per cent sales increase to £302.1m. Outside North America, overseas sales growth had been 18 per cent, with a new Italian subsidiary doubling its sales in a year.

Among the drugs, Synthroid, a thyroid drug, grew strongly, as did over-the-counter products such as Strepsils, which come from the Crookes stable.

The former Ward White entities, Halfords, Payless (the DIY superstores now in a joint venture with W. H. Smith's Do It All) and A. G. Stanley, which has the Fads DIY shops, contributed a total of £14.3m to the retail division. This was partly offset by a £2.9m loss at Children's World, and an £800,000 loss in France.

While rental income from property increased, the proceeds of sales slipped, leaving divisional profit of £32.7m compared with £28.9m last year.

Earnings per share fell to 11.2p, against 11.7p. The interim dividend goes up to 4.1p.

See Lex, Page 24

Bilspedition plans rights issue

By Robert Taylor

BILSPEDITION, Scandinavia's largest private transport group, plans a rights issue to bolster its financial base and cope with an aggressive acquisitions drive in the face of a transport industry slump in the Nordic region.

The new shares issue offers existing shareholders one new SKr35 share for every two they already hold. In this way, Bilspedition hopes to raise SKr545m ($98.4m). A shareholders meeting has been called in Gothenburg for November 30 to approve the plan.

Bilspedition's ambition is to become one of Europe's biggest transport companies in the 1990s. The company has just bought 50 per cent of the shares in Sweden's domestic airline Linjeflyg. It recently acquired the German shipping concern Nellen and Quack, as well as 49 per cent of the Norwegian company Transportinvest. The company is also negotiating the purchase of Speditorgruppen, Finland's biggest transport group.

The company said its business volume growth was weak this year. In spite of this, recent investments to rationalise Bilspedition's structure would improve results. It expected an improved profit of SKr712m for this year, and looked forward to further earnings growth in 19991.

● Danish pharmaceutical group Novo Nordisk said its pre-tax profit rose 5 per cent to DKr905m ($160m) in the first nine months of the year, from DKr858m the previous year.

Sales rose 9 per cent to DKr6.01bn.

Olivetti confirms job cut of 7,000

By Haig Simonian in Milan

OLIVETTI, the Italian computers and office equipment group, yesterday said sales for the first 10 months of this year were running ahead of the corresponding period in 1989. However, it made no forecasts for profits for the whole year.

Mr Vittorio Cassoni, managing director, confirmed plans to reduce by 7,000 its workforce of 55,000 worldwide in response to the current severe downturn in the European computers business.

The cuts will come through a variety of measures, including a reduction in manufacturing outside Italy and a concentration of research and development activities in the south of the country.

To soften the blow domestically, the company is seeking government approval for a one-off reduction in its retirement age next year, making way for the loss of up to 5,000 jobs in Italy.

Approval for the measure, which would lower the retirement age for men and women to 50 and 47 respectively, would allow the company to hire up to 1,000 additional workers in the economically-depressed south, sweetening politically the impact of the job cuts.

Michelin unit to raise SFr369m

COMPAGNIE Financiere Michelin, the holding company for all foreign interests of the French Michelin tyre group, plans to raise SFr369.2m ($295.4m) through a two-for-five rights issue, Reuter reports from Paris.

The statement from the company said Cie Generale, the company's main shareholder, would take up 90 per cent of its rights to the issue.

Earlier this month, Michelin announced a major shake-up of its North American operations involving the loss of between 600 and 900 jobs.

The company recently expanded into the US via the acquisition of the Uniroyal BF Goodrich group.

Swiss drug group up 9%

By William Dullforce in Geneva

ARES-SERONO, the Swiss pharmaceuticals group, yesterday reported third-quarter sales of $151m, a 31 per cent increase over the corresponding period of 1989.

Net income rose by 9 per cent to $14.8m or $27.14 per share. The sales performance for the third quarter had been well above the average for the industry, Mr Fabio Bertarelli, chief executive, said.

Group sales for the nine months at $453m were 24 per cent ahead. Real sales growth, excluding favourable currency fluctuations, was 14 per cent, the company said.

Pre-tax earnings were 3 per cent ahead at $68.6m. Net income totalled $44.8m or $82.37 a share, representing an increase of 3.6 per cent.

The smaller rise in the profit figures reflected the impact of continuous spending on research and development and on marketing, as well as a high level of investment in diagnostic products, Ares-Serono said.

Sales of prescription pharmaceuticals, the group's mainstay sector, climbed by 28 per cent to $377m during the first nine months. This amounts to a growth of 17 per cent, after allowing for currency effects.

Turnover of diagnostic products rose by 13 per cent to $67.5m, while sales of over-the-counter products declined from $10.5m to $9.1m.

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INTL COMPANIES AND FINANCE

Cetus in negotiation with potential business partners

By Louise Kehoe in San Francisco

CETUS, one of the oldest and largest remaining independent US biotechnology companies, has given up its founder's dreams of creating a fully integrated pharmaceuticals company and is actively seeking "strategic partners".

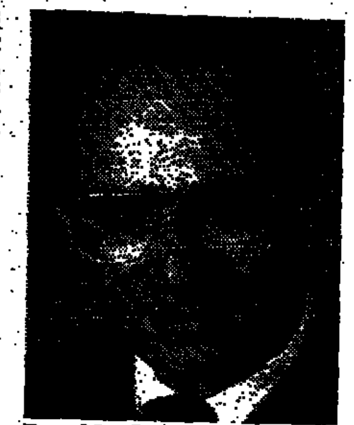
"It no longer makes sense to try to be an independent stand-alone pharmaceutical company," Mr Ronald Cape, the chairman and chief executive, told shareholders at the company's annual meeting this week.

His admission has fuelled speculation that Cetus may follow the same path as Genentech, the US biotechnology industry leader, which sold 60 per cent of its stock to Roche Holdings earlier this year.

Cetus is widely believed to be seeking a deep-pocketed equity partner among the giants of the pharmaceuticals industry.

"We have begun conversations with a number of potential business partners," Mr Cape said, without providing details. "We intend to maintain a low profile regarding our discussions with other companies."

Cetus's long-cherished plans to build an independent pharmaceuticals company began to unravel last July, when an advisory panel to the US Food



Ronald Cape: intends to maintain a low profile

and Drug Administration (FDA) unexpectedly declined to recommend approval of Cetus's key product, an anti-cancer drug called Proleukin or Interleukin-2.

Mr Robert Fildes, former president and chief executive of Cetus, charged that the FDA had treated Cetus unfairly. He resigned in July following the IL-2 disappointment and a new management team, headed by company founder Mr Ronald Cape, was appointed.

The new managers have attempted to smooth relationships with the FDA to try to gain speedy approval for IL-2, but analysts say the company may still face months of delays and further testing before the drug can be sold in the US.

IL-2 has already been approved in six European countries, but Cetus had been counting on US approval to boost its revenues and return profits. Instead, Cetus's losses have deepened.

For its first fiscal quarter, ended September 30, it reported losses of $15.7m, bringing cumulative losses to over $150m. Even if Cetus wins US approval for IL-2, its problems will not be over.

Analysts predict that it could be two years before the company achieves profitability. There is also rising concern that IL-2, like other biotech drugs, will be judged too expensive when it finally does become available.

The most pressing issue for Cetus is the need to restore the confidence of its investors. Cetus stock closed on Tuesday at $6⅝, compared with a 52-week high of $22¼ in July.

Cetus will not conduct a "fire sale" of its assets, Mr Cape assured shareholders, but at its current market value, the company's parts may be worth more than the whole, according to some industry analysts.

Woolworth up 14% on higher European profits

sk,0 By Nikki Tait in New York

HIGHER profits from European operations and the US-based Kinney footwear retail business offset the fall in general US merchandise and clothing sales, leaving third-quarter profits up 14 per cent at Woolworth.

The New York-based group made $80m after tax in the three months to October 27, up from $70m in the same period of 1989. Earnings per share stood at 62 cents, against 54 cents. The improvement was scored on revenues of $2.47bn, also up by 14 per cent. Domestic revenues gained 6.1 per cent, while foreign revenues rose 25 per cent in dollar terms or 15 per cent if translated at year-earlier exchange rates.

The breakdown of the figures showed total operating profit up from $152m to $169m, but with speciality stores making $97m against $99m, while general merchandise overall contributed $72m against $53m.

For the nine months, profits rose to $168m from $154m or $1.30 a share, against $1.19, on revenues ahead at $6.7bn, compared with $6.03bn.

● At the luxury end of the shopper's market, Tiffany & Co, the New York-based jewellers, unveiled a 19 per cent improvement in third-quarter profits after tax at $9.05m. Sales were 19 per cent higher at $113.2m, with earnings per share up from 48 cents to 58 cents.

Flat net income for Toys 'R' Us

By Karen Zagor in New York

TOYS "R" Us, the big US toy store chain, yesterday reported flat third-quarter net income of $28.7m or 10 cents a share on sales which grew 14.9 per cent to $1.05bn from $916.2m a year ago.

The quarter figures were better than expected and shares in Toys "R" Us added 3⅞ to $24 yesterday morning.

For the first nine months net income grew 11.4 per cent to $88.4m or 30 cents from $79.3m or 27 cents on sales which rose to $3.96bn from $3.46bn. Earnings per share have been adjusted to reflect a three-for-two stock split on June 29 this year.

In 1991, the company, which claims to be the biggest speciality toy retail chain in the world, expects to open between 80 and 85 toy stores worldwide, including its first stores in Japan and Spain and 25 to 30 new Kids "R" Us stores.

Rhône-Poulenc Rorer advances in third quarter

By Karen Zagor in New York

RHONE-Poulenc Rorer, the pharmaceuticals company formed when France's Rhône-Poulenc took control of the US drug maker at the end of July for more than $3bn, yesterday reported improved third-quarter sales and income.

The company said net income in the third quarter was $24m or 36 cents a share on sales of $838m. A year earlier, Rorer alone had net income of $19.6m or 54 cents on sales of $280m.

At the end of the 1990 quarter there were 67.1m shares outstanding, against 44.2m at the end of the 1989 third quarter.

Mr Robert Cawthorn, chairman and chief executive, said sales increased 21 per cent and operating income before interest expenses and taxes surged 33 per cent when viewed on a pro-forma combined basis by including Rhône-Poulenc's human pharmaceutical businesses in 1989.

Sales grew by 6.4 per cent in the quarter, excluding the impact of foreign exchange. Mr Cawthorn said sales growth was particularly strong in the company's cardiovascular products, led by Lozol, a diuretic anti-hypertensive drug.

However, US sales of Maalox and Ascriptin fell in the third quarter.

For the first nine months, the company reported a net loss of $3.02 a share, against net income of $1.26 a year ago. However, the 1990 results were distorted by one-time charges. Excluding these, earnings in the first nine months of 1990 would have been $1.01 a share. Sales in the first nine months were $1.8bn against $779m for Rorer alone in 1989.

Further cuts at TWA

By Nikki Tait in New York

TRANS World Airlines, the deeply indebted airline headed by Mr Carl Icahn, is to cut capacity by a further 4 to 5 per cent on December 1. It is also laying off another 393 employees.

The latest cuts come a month after TWA said it was cutting around 450 jobs and curtailing capacity by about 10 per cent. It confirmed yesterday the latest moves would mean the carrier's capacity would be running at about 14 per cent below the end-1989 levels.

TWA said the capacity cuts would not result in services to any cities being cut, although the numbers of flights which the carrier operates to virtually all cities would be reduced.

Yesterday, the carrier declined to comment on whether more surgery might be necessary, saying the economic situation made it "too difficult to speculate".

The company, which has around 37,500 employees, reported a loss of $14.7m after tax in the third quarter, but was helped by a $9.27m extraordinary surplus and $6.56m of assets sale gains. The loss in the year to end-September stood at $54.3m after $166.8m of asset sale proceeds. In common with all airlines, its recent profits performance has been savaged by the hike in fuel costs.

Trump deadline looms

By Nikki Tait in New York

AS THE deadline for a $47.3m interest payment on the Trump Organisation's Taj Mahal bonds looms today, figures from the New Jersey Casino Control Commission spelt out details of the deteriorating position of the group's casino interests.

The Trump Plaza had revenues of $20m in October, against $26m in the same month a year earlier, while the Trump Castle saw a downturn from $20.6m to $17.2m. The Taj Mahal is the newest of the three Trump casinos in Atlantic City and was not operating a year ago, so no comparisons were available.

Trump Organisation, headed by New York property developer and casino owner, Mr Donald Trump, is widely expected to default on the Taj payment. The company has been attempting to reach an agreement to restructure the bonds with the investors, but broke off negotiations late on Tuesday. Yesterday morning, Trump said there had been no change to this stalemate position.

Assuming no payment is made today, the breakdown in talks with the bondholders increases the chances that the Taj will be pushed into bankruptcy.

The bondholders' steering committee said last month, when it rejected Trump's initial proposals, that unless the deal was improved it believed investors would do better under bankruptcy proceedings – even if this triggered a collapse of the Trump Organisation generally.

However, the bondholders are not able to take any action until a default actually occurs, and even after that, there would normally be a 30-day "grace" period.

Hees earnings improve

By Bernard Simon in Toronto

HEES International Bancorp, the hub of the industrial and financial services empire controlled by Toronto's Bronfman brothers, posted a small increase in third-quarter earnings. But it warned of downward pressure to come as the recession took hold on most sectors of Canadian business.

Total earnings advanced to C$66m (US$56.8m) or 63 cents a share from C$63.8m or 62 cents. Most of the growth came from Hees' merchant banking activities, with revenues from this source more than doubling to C$130.5m. Income from corporate investments slipped to C$35.8m from C$58.5m.

Hees has interests, held through a complex web of public and private companies, in such leading Canadian groups as Noranda (forestry and mining), Royal Trust (financial services) and Bramalea (home-building).

Lion Nathan surges to NZ$75m at pre-tax level

By Terry Hall in Wellington

LION NATHAN, the Auckland-based brewer, yesterday reported a 60.7 per cent rise in pre-tax profits to NZ$75.6m (US$46.4m) from NZ$47.02m for the year to August, on sales of NZ$2.51bn, down from the previous year's NZ$2.8bn.

This is the group's final result before taking into account its acquisition of 50 per cent of Bond Brewery's Australian interests. A restated balance sheet including Lion's A$414m (US$323.5m) investment in National Brewing Holdings, the Bond joint venture, showed debt, including current liabilities, rising to NZ$1.5bn from NZ$813.28m.

Mr Douglas Myers, Lion managing director, said yesterday he anticipated the investment would show a neutral impact on earnings in the next financial year. "Initially, National Brewing Holdings will not distribute cash dividends until capital spending of about A$20m has been completed," he said.

He said the directors were pleased with Lion's result for the year and looking confidently toward a strong boost in earnings in 1991. "It is up because we have got our interest costs down; we have improved our productivity very considerably."

Commenting on Bell Resources, the Australian group which holds the other 50 per cent of the former Bond brewing interests he said: "They could exit [the brewing joint venture] tomorrow if they wanted to. They see a very considerable upside. If they want to stay there, that's fine.

"We have 100 per cent control and paid 50 per cent of the price." Although he was "not intimating" that Bell Resources was going to sell, he believed that would be Bell's most likely action some time in the next 10 years.

During the year, Lion sold its food retail interests to Dairy Farm International of Hong Kong for NZ$280m, and had property sales of NZ$92.11m.

Lion maintained an interim dividend of 5.5 cents a share.

Gulf affects Japanese oil profits

By Emiko Terazono in Tokyo

FOUR Japanese oil distributors reported that higher petroleum prices led to a sales increase for the six months to end-September, but pre-tax profits were sluggish at two of the companies due to crude oil price increases caused by the Gulf crisis.

JAPANESE OIL DISTRIBUTORS
Results for half year to September 1990

Company	Pre-tax profit Ybn	Pre-tax profit % change	Sales Ybn	Sales % change
Cosmo Oil	3.0	(9.1)	733.8	7.0
General Sekiyu	3.7	36.8	246.0	9.0
Mitsubishi Oil	5.9	3.8	478.3	37.0
Nippon Oil	13.1	46.5	954.7	13.2

Figures in brackets show falls

Cosmo Oil's pre-tax profits were down 9.1 per cent as increased material costs hit profitability, despite foreign exchange gains. Operating profits declined 35.5 per cent to Y10.7bn ($82.5m).

General Sekiyu posted a 36.8 per cent gain in pre-tax profits despite a 39.1 per cent decline in operating profits, due to foreign currency exchange gains.

Mitsubishi Oil saw a 38.4 per cent decline in operating profit blamed on a delay in shifting crude oil price rises on to products, as well as an increase in depreciation costs. A 37 per cent jump in sales was caused by a change in the company's accounting method; the company said that under the conventional method, sales would have shown a 15.5 per cent rise.

Nippon Oil, the country's largest distributor of petroleum products, reported a 46.5 per cent rise in pre-tax profits due to a steady demand and a large foreign currency gain. After-tax profits also jumped 48.4 per cent.

Most companies are expecting product price rises, which should contribute to their performances for the full year. Cosmo Oil expects pre-tax profit to double, reflecting high demand, but forecasts its after-tax profit to gain a modest 17.4 per cent. General Sekiyu estimates its pre-tax profits to be Y10 bn, up from Y3.4bn last year.

Mitsubishi Oil expects pre-tax profits to rise 38 per cent at Y16 bn, and Nippon Oil's pre-tax profits are expected to increase 41 per cent to Y30 bn.

Yamaha Motor up 71% on buoyant trade

By Emiko Terazono

YAMAHA Motor, Japan's leading motorcycle maker, posted a sharp 71.3 per cent rise in its pre-tax profits to Y5.7bn ($44m) for the six months to end-September.

Reporting its unconsolidated results for the first half, the group posted a 12.1 per cent rise in sales to Y219.8bn and after-tax profits 2.5 per cent ahead at Y1.8bn.

The yen's fall against the dollar earlier this year contributed to the favourable results as did buoyant sales of boats and other products.

For the full year, although Yamaha Motor anticipates a worsening of its non-operating balance due to rising interest payments, it expects pre-tax profit to rise almost 20 per cent to Y8.5bn.

Sales for the year are expected to grow 9 per cent to Y450bn.

Yamaha Corp sounds a flat note in first half

By Emiko Terazono

YAMAHA Corp, the world's largest maker of musical instruments, reported that sales for the first half to end September rose only 0.6 per cent to Y203.8bn ($1.57bn).

The Japanese company said that sluggish sales of musical instruments and audio equipment contributed to the disappointing results. The transfer of its leisure division to a subsidiary also affected the performance.

Pre-tax profits rose 0.6 per cent to Y9bn, due to an improvement in the balance on financial items.

Sales of audio equipment fell 11.1 per cent to Y17.8bn because of increasing competition, while electronic keyboard sales fell 17.6 per cent to Y15.2bn caused by sluggish exports.

Sales of items other than musical instruments fared well, with household utensils increasing 17.9 per cent to Y24.6bn, and sporting goods rising 10.9 per cent to Y14.3bn.

The company sees a continuing decline in audio and electrical musical instruments this year, and has revised forecasts for the full year downward, with sales at Y392bn, down from a previous estimate of Y400bn, and pre-tax profits down 1 per cent at Y12bn.

Reliance pushes up sales by 28% at six months

By R.C. Murthy in Bombay

RELIANCE Industries, India's second largest private sector company which produces textiles, synthetic fibres and their raw materials, has reported a 28 per cent rise in sales to Rs10.37bn ($576m) in the first half of 1990 from Rs8.09bn a year earlier.

Net profits advanced to Rs810m from Rs662m, almost matching the Rs905m for the whole of the previous year, which was a very poor one for the group.

Mr Dhirubhai Ambani, chairman, yesterday told about 20,000 shareholders at the group's annual meeting at a Bombay cricket stadium, that the next six months held out even better prospects.

Profits before interest and depreciation jumped by 35 per cent to Rs2.56bn, reflecting the upturn in the market for synthetic fibres and yarn.

The company proposes to build an Rs8bn natural gas cracker at Hazira in the western state of Gujarata, to integrate its production facilities and plans to float a Rs5.7bn debenture issue early next year to finance the project.

Mr Ambani said the company has been given government approval to set up a wholly-owned subsidiary called Reliance Europe in the UK to handle its worldwide export effort.

The group's ratio of gross profits to sales rose to 24.7 per cent from 23.36 in the second half last year.

Fedfood enjoys growth in earnings and turnover

By Philip Gawith

FEDFOOD, the food holding company in the Federale Volksbeleggings stable, enjoyed turnover and earnings growth in the six months to the end of September following strategic acquisitions and solid performances from its snack-food and frozen foods divisions.

Turnover rose 16 per cent to R687.7m ($273m) from R592.8m and operating income rose 18 per cent to R50.9m from R43.1m. Earnings growth was dampened by the effect of higher interest rates which saw growth in earnings per share kept down to 10 per cent, rising to 80.1 cents from 72.5 cents. The dividend was increased by 12 per cent to 19 cents from 17 cents per share.

Mr Jan du Toit, managing director, said the satisfactory performance amid difficult trading conditions could be due to the group acquiring controlling interests in Sea Plant Products and Patoma Foods.

Sea Plant Products, which harvests and exports abelone, had the effect of diversifying the group's fishing activities while Patoma, which processes and exports tropical fruit and vegetables, is considered to have good export promise.

Mr du Toit said continued tight trading conditions were expected, but the board thought the current earnings trend would continue.

Boost to exports lifts Witbank Colliery

By Philip Gawith in Johannesburg

WITBANK COLLIERY, the coal arm of the South African Rand Mines group, profited from substantially increased export sales to lift both turnover and profit in the year to the end of September.

Coal sales rose by 12 per cent from 19.8 tons to 22.2m tons, turnover was 36.7 per cent up at R1.09bn, and after-tax profit rose by 18.2 per cent from R163.4m to R193.2m.

The purchase of an increased stake in the Middelburg Mine joint venture from BP Southern Africa helped boost profits and export volumes.

The acquisition was the main reason for the group's exports growing from 5.7m tons in 1989 to 7.9m tons. South Africa exported 42.8m tons of coal through Richards Bay in 1989. Better export prices and a weaker rand/dollar exchange rate also helped profits.

Domestically, the group benefited from increased prices and the first full-year's contribution from the Majuba colliery.

Although market share was maintained, Mr Allen Sealey, chairman, noted that the inland coal market is in a mature phase of development and relies on new capital investment for growth.

"Regrettably, the current business and political climate has militated against new investment and the overall inland market has not increased," Mr Sealey said.

Witbank Colliery, like other groups, is suffering from lower-than-anticipated purchases by Escom, the electricity supply generator, which has overcapacity.

Mr Sealey, anticipating the imminent demise of trade sanctions against the country, said such action would broaden the market base for South African coal exports.

He said high costs and a firm currency were likely to lead to a reduced profits in 1991. Earnings per share increased to R24.69 from R20.89 and the total dividend was 50 cents higher at R6 per share.

INTERNATIONAL CAPITAL MARKETS

Tory leadership challenge prompts bond sell-off

By Stephen Fidler in London and Patrick Harverson in New York

THE CHALLENGE for the leadership of the Conservative Party prompted a sell-off in British government bonds, with longer maturity issues falling by ¾ point or more.

The announcement by Mr Michael Heseltine of his intention to stand in a leadership election among Conservative MPs to lead his party and thus head the government extinguished some early morning gains. Sterling dropped convincingly below DM2.90 towards DM2.8850 on the move.

The losses were limited by the view in some quarters that a prime minister more committed to Europe may prove an electoral asset and improve prospects for the economy.

The active December long gilt contract on the London Financial Futures Exchange (Liffe) slipped to close at 83-12 from the opening 83-24. In the cash market, one long benchmark – the 11¾ issue of

GOVERNMENT BONDS

2003-07 – closed at 101¼ to yield 11.5 per cent, off more than ¾ on the day.

Traders said the leadership struggle was encouraging some foreign selling of gilts, and switching into other European bonds, including the Ecu which is seen in some quarters as offering value right now.

Some were holding out hopes for interest rate cuts after the leadership issue was resolved. This was because the general strength of the D-Mark now allowed sterling more leeway to depreciate against the peseta, the strongest currency in the exchange rate mechanism of the European Monetary System. Sterling can now dip to DM2.8350, compared with 2.8800 when it joined the ERM last month.

■ TRADING was subdued in the US Treasury bonds market with prices slightly lower during the morning as dealers remained on the sidelines awaiting a signal from the Federal Reserve that it was easing monetary policy.

The announcement early in the session that retail sales in October rose by 0.1 per cent, compared with a 1.3 per cent increase in September, did little to stimulate interest among traders. The figure was in line with market expectations and provided further evidence that the economy has slipped into a recession.

Analysts believe the sluggishness of retail sales, combined with recent indicators which have shown a steady slowdown in the pace of economic activity, will strengthen the case for a cut of around ¼ percentage point in the Federal funds rate – the rate at which banks lend to each other.

Fed funds were trading firmly due to technical factors relating to the end of the two-week reporting period. These factors complicated the picture when the Fed intervened in the market just before lunchtime when the rate was 8½ per cent, creating doubts as to whether the intervention was an attempt to cap the rise in the Fed funds rate or whether it was the expected signal to the financial markets that monetary policy was being eased.

The consensus of opinion favoured the former, and by the time the Fed's repurchase operations were over, the Fed funds rate had jumped to 9½ per cent, compared with an opening rate of 8¼.

The absence of any obvious change in Fed policy left prices at the long end of the market virtually unmoved. At lunchtime the key 30-year Treasury bond was ⅛ lower at 102⅛, yielding 8.54 per cent. There was a similar lack of movement among shorter-dated maturities, with the two-year bond unchanged at 100⅛.

■ THE STRENGTH of the D-Mark was one factor in the German government bond market, which was being pulled in two directions by opposing forces. The negative factors were modestly in the ascendant and the market slipped by up to 10 pfennigs.

The news being viewed positively was the release of wholesale price inflation data for October which showed a rise of 0.6 per cent – but if the effects of oil price rises are excluded, a drop of 0.5 per cent.

But there was still underlying uncertainty about the Federal budget position and the Bundesbank took the opportunity to nudge short-term interest rates upwards through operations in the money markets. Three-month money rates touched 9 per cent. The German state railway announced too that it would launch an bond issue next week.

Trading was fairly active, with 72,000 contracts trading on Liffe in the December contract and a further 24,000 in the contract for March delivery. This compares with the 24,000 contracts being traded in the long-gilt for the active December month. The December contract finished at about 81.98, compared with 82.08 at yesterday's close and the day's high of 82.15.

■ SOME nervousness was evident in the French market, itself beset by political and social worries, which underperformed against its German equivalent again. The relative weakness of the franc, following the recent French interest rate cut, undermined its performance.

Traders reported significant domestic selling in the short-end of the market. At the longer end, the 8½ per cent issue of 2000 fell 25 centimes to 89.30/40.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.500	08/92	103-01	-09/32	11.61	11.50	11.82
		9.000	03/00	86-15	-16/32	11.38	11.29	11.46
		9.000	10/08	84-04	-18/32	11.04	10.83	11.01
US TREASURY *		8.500	11/00	100-28	+03/32	8.38	8.49	8.80
		8.750	08/20	102-13	+04/32	8.52	8.65	8.95
JAPAN	No 119	4.800	6/99	84.6207	+0.112	7.78	7.82	8.05
	No 129	6.400	03/00	94.1812	+0.053	7.46	7.49	7.72
GERMANY		9.000	10/00	99.9900	-0.110	9.00	9.03	9.00
FRANCE	BTAN	9.000	11/95	95.1966	-0.072	10.27	10.18	10.22
	OAT	8.500	03/00	89.3800	-0.160	10.30	10.28	10.36
CANADA *		10.500	09/01	96.0500	-0.400	10.85	10.76	11.29
NETHERLANDS		9.250	11/00	100.3800	-0.080	9.19	9.20	9.23
AUSTRALIA		13.000	07/00	102.0432	+0.112	12.62	12.81	13.37

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	250	100⅝	100⅞	–	8.71	AMRO BANK 6 1/4 92 FI	150	94⅞	95⅜	+⅛	9.70
ALBERTA PROVINCE 9 3/8 95	600	102	102¼		8.85	RABOBANK 5 3/4 93 FI	150	92¼	93		9.64
AUSTRIA 8 1/2 00	400	95⅝	96	+⅛	9.22	ALBERTA PROVINCE 10 92 CS	500	97⅞	98¼		11.39
BANK OF TOKYO 8 3/8 96	100	96¼	96¾		9.27	BCE INC 9 5/8 99 CS	300	95¼	96⅛		11.71
BELGIUM 9 1/8 92	400	101⅛	101½	-⅛	8.41	BELL CANADA 10 5/8 99 CS	150	94⅛	94⅝		11.72
BFCE 7 3/4 97	150	94⅛	94⅝	+⅛	8.97	BRITISH COLUMBIA 9 1/4 93 CS	150	95¼	95⅞	-⅛	11.60
BNP 8 5/8 94	300	99⅞	99⅞	+⅛	8.72	EIB 10 1/8 98 CS	130	94⅛	94⅞	-⅛	11.27
[illegible]						[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on the day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

G10 bank governors set netting standards

By David Lascelles, Banking Editor

A SET of standards for the growing number of netting schemes being introduced by banks has been agreed by central bank governors of the Group of Ten countries.

Netting systems permit banks to reduce their risks and costs by netting out the payments they owe each other rather than paying the gross amount. But bank supervisors are worried that such schemes may create a false sense of security or contain concealed risks.

In a report today the G10 governors say that netting schemes need to be examined carefully. But they agree that they have the potential for increasing the efficiency and stability of interbank payment systems. So they have endorsed a set of minimum standards.

The report, prepared by a group headed by Mr Alexandre Lamfalussy, the general manager of the Basle-based Bank for International Settlements, says that netting schemes must have a well-founded legal basis, and must be clearly understood by participants.

There should also be clearly defined procedures for managing risks, particularly in the case where a scheme member fails to meet its obligations.

This could be done either through an agreement for participating banks to share losses, or for the central clearing house to maintain a large enough reserve to meet worst case losses.

The governors agreed that netting schemes should be subject to oversight by the banking authorities. Where the authorities thought netting schemes failed to meet the standards, banks would be advised that participation would constitute "an unsafe and unsound banking practice".

The report is principally concerned with netting schemes that include cross-border arrangements and cover several currencies. But domestic schemes will also be reviewed in light of the report.

The standards have been produced at a time when few netting schemes are actually in operation, but several are planned. In London, the most important is FXnet for the foreign exchange market. But a larger one, Echonet is planned for next year.

Some schemes are run by groups of banks. Others are provided as a service, like the dollar netting scheme run by Chase Manhattan Bank.

Hungarian move by John Govett

By Nicholas Denton in Budapest

WESTERN investment funds yesterday concluded the $7m purchase of 31 per cent of state-controlled Technoimpex, the largest Hungarian trading company, in a path-breaking privatisation by private placement.

The Kuwaiti Investment Office (KIO), owned by the Kuwaiti state, bought $2m-worth of the tranche and the Hungarian Investment Company, an investment fund managed by Britain's John Govett, acquired the remaining $5m, according to Mr Heinrich Pecina, director of CA Investment Banking, the Austrian lead manager of the transaction.

KIO's maiden investment in Hungary is one of its first long-term commitments since the Gulf crisis.

A further placement after a capital increase planned for early next year will take the foreign share of Technoimpex to 40 per cent. The state holding will be reduced to a 46 per cent stake, an unprecedented surrender of majority ownership of one of its trading companies.

The deal is the most sophisticated private placement of shares in a Hungarian state-owned company and opens the way to further use of this method of privatisation.

That would enhance the prospects of the investment funds committed to Hungary; they have been partly closed out by the authorities' emphasis on stock exchange flotation and by Hungarian companies' frequent preference for strategic rather than passive investors.

"We are certainly creating food for the funds," said Mr Pecina.

Technoimpex, a general trading house with a focus on machine tools and machinery, made a profit before tax of Ft424m ($69.8m) in 1989 on turnover of Ft1.96bn.

The company handled trade amounting to Ft30bn last year.

CONTRACTS & TENDERS

LEGAL NOTICES

FINCH PRIDE LIMITED T/A JUSTRITE CONTRACTS

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: The Wolsey Room, Post House Hotel, Braunstone, Leicester on 22 November 1990 at 10 am for the purposes of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA, no later than noon on 21 November 1990, written details of th debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated this 7th day of November 1990

John F Powell
Joint Administrative Receiver

TOBACCO DOCK DEVELOPMENTS LIMITED

Registered number: 1528738
Trading name: Tobacco Dock Developments Limited
Nature of business: Developers
Trade classification: 23
Date of appointment of administrative receiver(s): 6 November 1990
Name of person appointing the administrative receiver(s):
Natwest Investment Bank Limited
M.A. Jordan & R.M. Addy
Joint Administrative Receivers
(office holder no(s) 2172 & 1031) of Cork Gully, Shelly House, 3 Noble Street, London EC2V 7DQ

IN THE HIGH COURT OF JUSTICE

**No. 008244 of 1990
CHANCERY DIVISION
IN THE MATTER OF
BELMONT UK LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985**

NOTICE IS HEREBY GIVEN that a Petition was on the 28th day of September 1990 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Capital of the above-named Company

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Morritt at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 26th day of November 1990.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the proposed reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 15th day of November 1990.

SPEECHLY BIRCHAM, Bouverie House, 154 Fleet Street, London EC4A 2HX. Ref: MRL/PAM/106036

Solicitors for the above named company

PUBLIC NOTICES

LONDON SCHOOL OF ECONOMICS

5.30 p.m. An inaugural lecture by Professor Jonathan Rosenhead. "Into the Swamp: The Analysis of Social Issues".

ART GALLERIES

JOHN PIPER PAINTINGS and prints, until 27th Nov at Bohun Gallery, 15 Reading Rd, Henley, Oxon. Tel. 0491 576228

INTERNATIONAL CAPITAL MARKETS

IFC makes swap debut in Portuguese bond market

By Tracy Corrigan

THE International Finance Corporation, the World Bank's private sector development arm, became the first borrower to swap funds raised in the Portuguese escudo bond market, when it made its debut issue yesterday.

IFC's Es10bn five-year deal is only the eighth escudo deal by a foreign borrower in the market's two-year history. The nascent market is still limited to supranational agencies.

INTERNATIONAL BONDS

The swap market itself is non-existent. The authorities would only allow a government-owned Portuguese company to act as a swap counterparty. Once such a company, with dollar liabilities, had been found, the swap and the issue then both had to be approved by the Portuguese authorities.

For IFC, the result was worthwhile, producing dollar funding at better than its usual target of 50 basis points below the London interbank offered rate.

The rarity value of such transactions ensured an enthusiastic response by investors. It is their only means of access to the market, since escudo bonds issued by foreign borrowers are exempt from withholding tax for non-Portuguese residents. Further, the high level of interest rates prompted switching out of other bond markets.

IFC has now completed around $200m of its $600m-$700m borrowing programme for this fiscal year, which ends in June. The bulk of its further funding will be carried out in the second half of the year, including a Eurodollar bond issue of around $300m. IFC also plans to return to the escudo bond market.

Elsewhere, the South Australia Government Finance Authority raised a nominal A$500m of 25-year zero-coupon bonds, issued at a price of 5.825. The deal met strong demand from retail investors.

Because of the structure of the deal (low initial investment with redemption after 25 years), they can use the bonds as a kind of pension fund.

The bonds yield the equivalent of 12.66 per cent, which represents attractive funding for issuers, although they carry the risk of interest rates falling sharply over the life of the issue.

The New South Wales Treasury Corporation has two outstanding long-dated zero-coupon deals, one 20-year and one 30-year issue. Such long-date bonds cannot be swapped, so non-Australian borrowers are unlikely to tap the market.

● British Gas has issued SFr100m of two-year promissory notes in the Swiss domestic market, where short-dated paper is permitted. The 8 per cent notes were swapped into fixed-rate dollars, as was British Gas's Y25bn deal launched last week. The rate achieved for both transactions was better than 8 per cent, a treasury official said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Shin Etsu Fin.BV(a)♦	20	9	101⅞	1995	1⅞/1¼	Mitsubishi Finance
AUSTRALIAN DOLLARS						
Sth.Aust.Govt.Fin.Auth.(a)♦	500	zero	5.825	2015	⅝/⅞	Hambros
ESCUDOS						
Int.Finance Corp(a)♦	10bn	15⅛	100⅛	1995	1⅝/1⅛	Deutsche Bank
SWISS FRANCS						
Republic of Finland(a)★★♦	75	7½	101⅛	1995	1½	Nordfinanz Zurich
Ishijuro Home Corp(b)★★♦	20	6	100	1995	-	SBC
SWEDISH KRONOR						
Banque Indosuez(a)★★♦	200	13.6	100	1997	-	Daiwa (Europe)
DANISH KRONER						
Fin.for Danish Ind.(c)♦	150	10⅜	101.45	1993	1⅜	Kredietbank NV
GUILDERS						
NV Nederlandse Gasunie(d)♦	125	9	101⅛	1995	1/⅝	SBC Inv.Bk

★★Private placement. §Convertible. ♯With equity warrants. †Floating rate note. ♦Final terms. a) Non callable. b) Put option 20/2/93 at 107¼% to yield 9.036%. c) Fungible with existing DKr300mn deal launched in October. Non-callable. d) Fungible with existing Fl125mn deal launched in October. Put option from 19/11/91 at 99.6% increasing 10bp annually thereafter.

Settlement system for Kuwaiti banks

By David Lascelles, Banking Editor

THE NATIONAL Bank of Kuwait, now operating in exile in London, is to set up an international settlement system for Kuwaiti banks incapacitated by the Iraqi invasion.

The bank has been mandated by the Kuwaiti central bank, also exiled in London, to create the system so that the banks' international obligations can be unscrambled, and their accounts brought up to date.

The seven banks involved are Gulf Bank, Commercial Bank, Alahli Bank, Bank of Kuwait and the Middle East, Burgan Bank, Kuwait Real Estate Bank and Industrial Bank of Kuwait.

National Bank has created a list of the assets and liabilities of these banks partly through records which have been smuggled out, partly by contacting counterparty banks. The bank intends to make all liabilities current by bringing interest payments up to date. This will be done with a $100m credit from the Central Bank of Kuwait.

Although the banks are all subject to the international freeze on Kuwaiti and Iraqi assets, the hope is that the settlement will lead to the accounts being unblocked.

The National Bank itself is now operating near normally from its London branch, following the Bank of England's decision to unfreeze it last month.

BCI to buy French bank

By Haig Simonian in Milan

BANCA Commerciale Italiana (BCI), one of Italy's leading banks, is expanding its international presence through the purchase of Banque Sudameris France, a 21-branch French bank based in Paris.

The deal, for an undisclosed sum, marks a further step in the belated growth of Italy's biggest financial institutions in neighbouring European countries.

Stalemate in the marketplace

Richard Waters examines rival models for cross-border equity trading

The creation of a new market for cross-border equity trading in Europe comes under scrutiny today as the chairmen of the EC's 12 national bourses meet in Dublin in an attempt to thrash out agreement on how such a market should work.

However, national differences threaten once again to halt development of a project which has already been much delayed by in-fighting.

Six months ago in Copenhagen, at the last biennial meeting of the Federation of Stock Exchanges in the European Community, clear divisions emerged between the exchanges.

Today those divisions are enshrined in the three different market proposals on the Dublin agenda.

To those proposals the Federation, under Mr Ettore Fumagalli, chairman of the Milan bourse, has added two other subjects likely to raise the competitive hackles of some of its members: clearing and settlement and the development of a European stock market index.

The first of the three models for cross-border trading, a French idea called the Eurolist, would involve Europe's leading companies being listed on each EC stock exchange. For this privilege they would pay a single listing fee in addition to the one already paid for their domestic listing. Shares would be quoted both in companies' home currencies and in Ecus.

The attraction for companies, argue supporters, is the prestige of being quoted alongside other European corporate leaders in a special section of each bourses' list. Detractors point out, though, that companies on the list would have to report separately in each country – a considerable burden, although agreement on mutual listing and accounting rules may lessen the pain.

Eurolist would enable investors anywhere in the EC to invest in a range of companies from other countries through their national market. This makes it well suited to small investors. However, it would bring with it a degree of fragmentation, spreading liquidity across a number of markets and so undermining the central pooling of orders which large investors believe gives them the keenest prices.

Supporters of a single international market see Eurolist as an attempt to buttress the position of national exchanges.

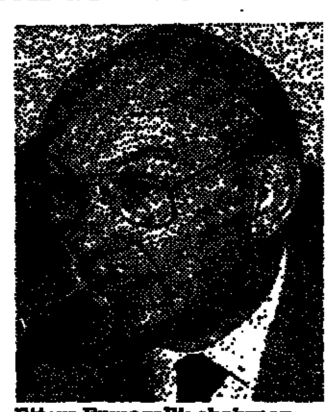
The second item on the agenda, Euroquote, began life as a scheme for gathering together prices and company news from the EC exchanges and disseminating the information throughout and beyond the community.

A separately established company has been set up to pursue the project, which was formerly known as Pipe (Price Information Project for Europe).

Some supporters, notably in Germany, believe that Euroquote should go on to become a separate market. It would do this by first capturing investors' orders to be fed into the central "hub" of the system and then developing into a full-blown trading system.

No precise formula for trading has been suggested, so Euroquote remains the vaguest of the proposals.

Meanwhile, Euroquote could still fall at the first hurdle. There is no agreement on whether it should disseminate its prices through independent networks like Reuters, or set up in competition. London's International Stock Exchange, concerned by the costs and risks of competing with established quote vendors, is agitating for a more thorough business case to be made for Euroquote and seems likely to block any advances in the meantime.



Ettore Fumagalli: chairman of the Milan bourse

The third proposal, for a European Wholesale Market, has been put forward by the ISE and is closely modelled on London's SEAQ International trading system. It is based on the idea that most cross-border dealing is done in large chunks by professional investors, who want a loosely regulated market.

While other bourses baulk at the idea of bowing to London, SEAQI at least has the advantage of being able to prove that it works: the market last year handled 53 per cent of the trading in foreign shares carried on in the EC.

London's chances of persuading others to agree will be enhanced if it can prove, as it claims, that the greater activity stimulated by an international market like SEAQI filters down to greater activity on national markets.

It must also overcome a widely held misconception that the EWM would necessarily favour the City of London at the expense of other European financial centres.

Electronic markets do not have a geographic centre. The location of investment activity depends on other factors, principally the location of the leading investment institutions. It is London's position as the home for international fund management that ensures its lead in international equity trading. Only by matching London's research, sales and trading skills, as well as its professional and financial infrastructure, will other European centres be able to secure a share of the market.

In fighting the idea that the EWM is a ploy by London to guarantee its dominance, however, the ISE will have to spell out more clearly how the market would operate. In particular, it will have to convince others that it is prepared to give up control of the way the market is run.

Faced with three rival proposals, the exchanges will have to make an important decision by the time their meeting ends tomorrow. Should they back one of the models for a new market at the expense of the others, should they push ahead with more than one, or should they bury their differences by taking one step back to agree what it is they are trying to achieve in the first place?

Market users seem to favour the latter. As one large investment house in London says: "We, and probably every other house in Europe, would have to pay to reinvent the wheel. Most of the ideas are not practitioner driven, they are driven by dreams."

As long as the ambitions and fears of national exchanges continue to dominate the debate, rather than the interests of investors and market intermediaries, the stalemate is likely to persist.

Toronto SE cuts budget and staff

By Bernard Simon in Toronto

THE Toronto Stock Exchange is reducing its budget and cutting its workforce by almost a fifth in response to the unremitting slump in North American securities markets.

The Toronto SE, which is the world's eighth busiest stock market, said that its 1991 operating budget would total C$46.7m (US$40m), down from C$57m this year.

The board of directors warned that since deeper cuts could jeopardise essential trading services, any further deterioration in the exchange's financial condition next year would force a rise in members' charges.

The average daily value of trading on the Toronto SE, which determines the bulk of its revenue, was C$261m in the first 10 months of this year, 22 per cent lower than a year earlier.

Changes made to prevent FT-SE 100 options upheaval

By Richard Waters

FURTHER adjustments to London's market mechanisms were announced yesterday as part of the move to prevent market disruption at the expiry of futures and options contracts based on the FT-SE 100 index.

The changes are intended to prevent a recurrence of the upheaval in the UK equity market the last day of June, just as the expiry price for the contracts was being calculated. Two banks accused of market manipulation were later cleared by the Stock Exchange.

Yesterday, the London International Financial Futures Exchange and London Traded Options Market said that contracts based on the FT-SE 100 index, which expire at the end of next September or later would face two changes:

● The expiry price will be calculated over a 20-minute period rather than ten minutes, to reduce the likelihood of price manipulation.

● The calculation period will begin at 10.10, to keep it out of the way of unusual market activity in advance of official economic statistics, which are usually announced at 11.30.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

		Wednesday November 14 1990						Tue Nov 13	Mon Nov 12	Fri Nov 9	Year ago (approx)
		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Index No.	Index No.	Index No.	Index No.
1	CAPITAL GOODS (195)	685.05	-0.3	15.68	6.96	7.80	33.01	687.42	689.36	684.47	874.32
2	Building Materials (26)	904.56	-0.8	16.08	6.76	7.65	40.76	911.72	924.43	921.74	1045.79
3	Contracting, Construction (34)	1111.88	.....	16.94	7.20	7.67	58.72	1111.44	1114.89	1113.73	1392.37
4	Electricals (10)	1799.03	-0.5	15.59	7.49	7.85	99.22	1807.88	1809.75	1806.42	2500.72
5	Electronics (26)	1574.89	-0.5	10.57	5.45	12.96	58.75	1583.53	1580.28	1558.37	1932.72
6	Engineering-Aerospace (8)	390.22	+0.2	17.18	6.24	6.97	17.27	389.30	391.31	389.89	0.00
7	Engineering-General (47)	347.04	-0.4	17.03	7.43	7.05	17.45	348.29	346.97	344.99	0.00
8	Metals and Metal Forming (8)	395.44	+0.3	23.44	8.64	5.24	17.97	394.33	396.39	396.75	459.21
9	Motors (13)	268.74	-1.2	18.58	8.95	6.27	17.45	272.08	272.20	269.81	358.05
10	Other Industrial Materials (23)	1138.19	-0.1	14.81	7.16	7.80	60.96	1139.11	1138.38	1124.22	1623.40
21	CONSUMER GROUP (177)	1173.49	-0.4	10.46	4.37	11.85	33.03	1178.41	1174.88	1166.78	1249.92
22	Brewers and Distillers (22)	1473.49	-0.3	10.61	4.01	11.41	33.62	1478.01	1469.34	1468.20	1397.67
25	Food Manufacturing (19)	988.06	-0.5	11.84	4.98	10.42	28.13	992.67	984.66	972.77	1095.24
26	Food Retailing (16)	2211.85	-0.7	9.89	3.35	13.20	52.68	2226.79	2217.77	2203.36	2297.78
27	Health and Household (17)	2399.80	-0.2	7.38	3.10	16.03	50.32	2404.68	2400.26	2365 27	2520.70
29	Leisure (31)	1186.98	-0.3	12.87	5.58	9.45	44.58	1190.89	1185.92	1182.60	1557.93
31	Packaging & Paper (12)	478.88	+0.1	13.44	7.27	9.14	23.79	478.37	478.63	477.65	529.96
32	Publishing & Printing (14)	2848.74	-0.2	12.40	6.59	10.12	137.99	2855.76	2840.05	2835.33	3611.19
34	Stores (34)	784.87	-0.8	11.30	4.72	11.53	23.86	790.85	794.75	792.00	775.56
35	Textiles (12)	409.04	-1.0	14.60	8.68	8.69	25.55	413.24	412.26	408.14	507.26
40	OTHER GROUPS (107)	944.07	-0.4	13.23	6.09	9.18	32.20	948.15	945.16	940.08	1108.51
41	Agencies (15)	962.39	+2.3	11.07	3.46	10.93	22.70	940.33	931.12	913.12	1483.47
42	Chemicals (24)	1003.69	-1.1	13.34	6.70	8.84	46.81	1015.09	1007.92	1001.35	1177.35
43	Conglomerates (14)	1208.29	+0.3	14.07	8.29	8.53	38.53	1204.42	1200.88	1208.16	1602.23
44	Transport (15)	1736.14	-1.8	14.57	5.82	8.52	67.29	1767.20	1792.26	1791.44	2101.11
46	Telephone Networks (3)	1070.30	-0.3	12.41	4.68	10.49	26.09	1073.90	1065.27	1053 99	1077.03
47	Water (10)	1949.16	-1.0	14.88	6.95	7.61	68.12	1969.14	1954.04	1939.15	0.00
48	Miscellaneous (26)	1478.06	-0.5	12.66	6.10	9.18	62.06	1485.82	1489.80	1482.00	1854.22
49	INDUSTRIAL GROUP (479)	983.41	-0.4	12.44	5.46	9.85	33.79	987.42	985.65	979.27	1126.44
51	Oil & Gas (21)	2243.05	-1.2	9.97	5.61	13.10	85.44	2271.43	2278.72	2284.04	2130.93
59	500 SHARE INDEX (500)	1086.64	-0.5	12.06	5.48	10.25	37.98	1092.52	1091.42	1085.87	1211.02
61	FINANCIAL GROUP (103)	679.77	-0.5	-	7.01	-	33.16	683.38	680.24	678.22	776.07
62	Banks (9)	715.48	-0.9	22.86	8.05	5.73	42.00	721.86	719.55	714.41	798.04
65	Insurance (Life) (7)	1261.37	-0.8	-	6.09	-	55.82	1271.60	1261.35	1257.11	1276.34
66	Insurance (Composite) (6)	579.05	-0.9	-	7.39	-	32.08	584.28	571.73	574.30	648.54
67	Insurance (Brokers) (8)	918.46	+0.6	8.30	7.00	15.78	41.94	913.17	899.55	895.54	1068.14
68	Merchant Banks (7)	334.41	-1.5	5.81	6.12	22.94	12.75	339.58	343.79	344.90	422.25
69	Property (45)	942.58	+0.7	7.66	5.14	17.25	27.11	936.11	943.45	940.71	1172.37
70	Other Financial (21)	242.09	-0.3	11.68	7.45	11.00	12.21	242.85	244.05	244.38	321.24
71	Investment Trusts (70)	992.24	-0.4	-	4.04	-	27.18	996.55	993.94	986.79	1204.75
91	Overseas Traders (5)	1074.57	+0.1	13.30	8.60	8.95	69.98	1073.74	1066.21	1055.24	1384.04
99	ALL-SHARE INDEX (678)	986.82	-0.5	-	5.68	-	36.43	992.08	990.49	985.66	1107.17

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 13	Nov 12	Nov 9	Nov 8	Nov 7	Year ago
FT-SE 100 SHARE INDEX♦	2046.0	-10.0	2047.1	2038.5	2056.0	2051.9	2040.6	2036.2	2059 2	2203.4

FIXED INTEREST

	PRICE INDICES	Wed Nov 14	Day's change %	Tue Nov 13	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.66	-0.15	118.84	-	10.71
2	5-15 years	123.24	-0.45	123.79	-	11.95
3	Over 15 years	122.88	-0.65	123.69	-	10.78
4	Irredeemables	138.32	-0.56	139.10	-	13.46
5	All stocks	123.52	-0.37	123.97	-	11.55
	Index-Linked					
6	Up to 5 years	157.04	-0.10	157.20	-	3.04
7	Over 5 years	142.06	-0.06	142.15	-	3.45
8	All stocks	143.08	-0.07	143.17	-	3.42
9	Debentures & Loans	101.94	+0.01	101.92	-	9.69
10	Preference	73.41	+0.09	73.34	-	5.84

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 14	Tue Nov 13	Year ago (approx.)
	British Government				
1	Low	5 years	10.34	10.31	9.93
2	Coupons	15 years	10.87	10.79	9.66
3		25 years	10.91	10.83	9.57
4	Medium	5 years	11.45	11.35	11.08
5	Coupons	15 years	11.33	11.24	10.04
6		25 years	11.24	11.16	9.69
7	High	5 years	11.56	11.46	11.18
8	Coupons	15 years	11.53	11.44	10.25
9		25 years	11.50	11.43	9.83
10	Irredeemables	†	11.04	10.97	9.65
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.68	3.62	3.44
12	Inflation rate 5%	Over 5 yrs.	4.23	4.23	3.61
13	Inflation rate 10%	Up to 5 yrs.	2.52	2.45	2.65
14	Inflation rate 10%	Over 5 yrs.	4.06	4.06	3.45
15	Debs &	5 years	13.40	13.36	12.59
16	Loans	15 years	12.87	12.86	11.95
17		25 years	12.50	12.50	11.95
18	Preference	†	12.92	12.93	10.73

♦Opening index 2047.1; 9 am 2041.9; 10 am 2041.4; 11 am 2042.6; Noon 2045.4; 1 pm 2046.2; 2 pm 2046.0; 2.30 pm 2044.4; 3 pm 2045.5; 4.10 pm 2044.5; (a) 8.30am (b) 8.47am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES: Deletion: Mount Charlotte Investments (29). Addition: The Mersey Docks & Harbour Co. (44)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	73	9
Corporations, Dominion and Foreign Bonds	1	4	16
Industrials	211	414	921
Financial and Properties	96	191	454
Oils	9	36	46
Plantations	2	0	8
Mines	18	33	101
Others	53	61	89
Totals	394	812	1,644

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	68	§Bluebird Toys 12pc Cv. Uns. Ln. 2005	68	
&	Nil	29/11	3pm	2pm	§Brewmaker Cv. Rd. Prf. 70p	2pm	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	95p	
100p	F.P.	-	121½	106p	Reckitt & Colman 9.5pc Cv Bds 2005	115½p	-1
100	F.P.	-	110⅞	101¼	Tesco Capital 9pc Cov. Cap. Bd. 2005	105¼	-½
100p	F.P.	-	105p	45p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	10/12	10pm	¼pm	Arcadian Intl.	¼pm	
11	Nil	-	2pm	½pm	Caskdon Group 5p	1¼pm	
285	Nil	21/12	218pm	113pm	Eurotunnel Package	118pm	-50
10	Nil	-	¼pm	¼pm	♯Propeller 1p	¼pm	
1	Nil	27/11	¼pm	¼pm	♯Property Trust 1p	¼pm	
55	Nil		¼pm	¼pm	Vivat Hldgs.	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights" † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover

TRADITIONAL OPTIONS

● First Dealings Nov. 12
● Last Dealings Nov. 23
● Last Declarations Feb. 21
● For settlement March 4

For rate indications see end of London Share Service

Calls in Aviva Pet., Kelt Energy and Premier Cons. Puts and calls in Eurotunnel warrants and Tusker Res.

LONDON TRADED OPTIONS

TURNOVER on the derivative markets remained low as uncertainty caused by the leadership contest in the Conservative party and the weakness of sterling combined to produce a nervous session. The futures market opened lower as dealers correctly anticipated that Mr Michael Heseltine would enter the Conservative party leadership contest. His announcement caused little change in prices and for most of the session the December FT-SE 100 index contract was stuck in a narrow range.

A stronger performance by Wall Street did lift the market off its lows but with sterling still weakening there was little incentive for a move into positive territory.

December closed at 2,067, down 10 points on the day. December also ended 23 points over the spot index, compared with brokers' fair value estimate of 26.

In the traded options market, turnover in electronics stocks remained the most active, following the government's announcement on Tuesday that it wants to end the duopoly in UK telecommunications, currently held by BT and Cable & Wireless. BT traded 2,886 contracts, with activity in puts dominating dealing, particularly November 260 puts.

Racal Electronics continued to attract attention following the news of its planned break-up. A total of 1,346 options changed hands. The November 130 calls were the most popular.

Tesco options were actively traded, reflecting an increase in activity on the underlying securities. Of the 2,501 contracts traded, the majority were November 220 puts. BP was the other busy stock, trading 1,568 contracts. The January 330 calls were the most active, dealing 608.

Across the options market, turnover rose slightly to 28,945 contracts and was evenly divided between calls and puts. The FT-SE Index options were thinly traded, with activity concentrated in the December 2,100 calls.

Option	CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

Motor and building insurance premium rates to rise

GA interim loss rises to £73.3m

By Eric Short

LOSSES OF General Accident, the composite insurer, reached £73.3m pre-tax for the nine months to September 30. That compared with profits of £137m for the same period of the previous year.

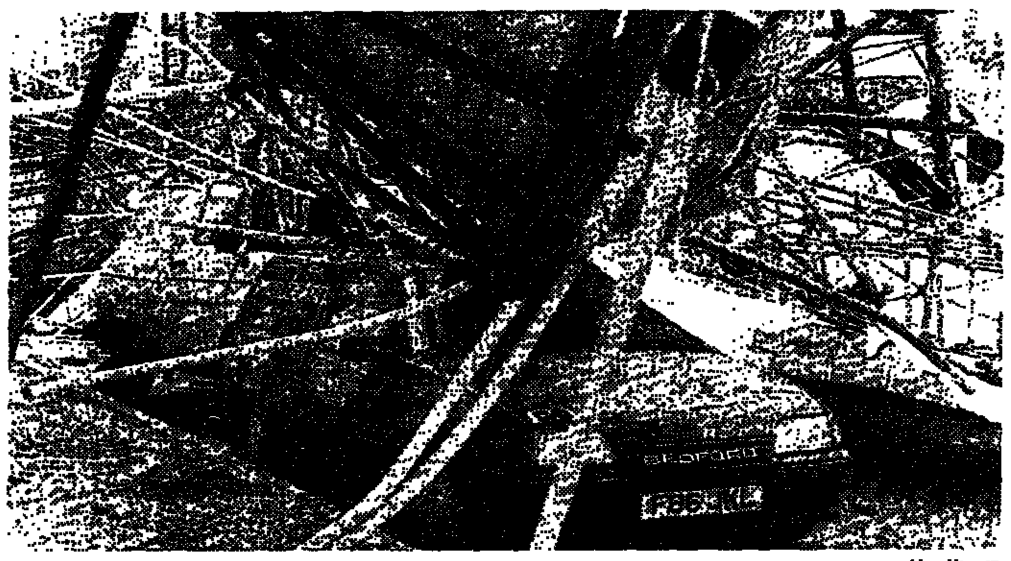
A further £5.4m was added to the overall loss from the third quarter, compared with a £15.1m profit in the third quarter last year.

The group has reacted by making major rating increases, particularly in its main problem area – the UK where underwriting losses of £35.5m were incurred in the third quarter bringing total underwriting losses to £130m against a profit of £25.5m last year.

In the UK, GA lost of further £15.1m from the underwriting of its major motor insurance account, bringing total underwriting losses here to date to £40.7m compared with a profit of £3m last year. These losses reflect a continuing rising number of claims, which to date have not been slowed down by higher petrol prices and by a steady rise in the average cost of a claim.

GA is reacting by increasing its motor premium rates in January for private motor business to follow rate increases already made in May and October. Commercial motor rates are also being increased.

The hot dry summer has taken its toll of all UK house insurers through subsidence claims, following the winter storms in January and February.



Alan Harper

Damage caused by the storms that ripped through Britain earlier this year

The Homeowners account lost a further £7.8m, bringing total underwriting losses to £28m, against a £10.6m profit last year. The group is shortly to increase the rate for house buildings by 10 per cent, following similar action by at least one other major house insurer.

Commercial property, hit by a spate of large fire and other claims, liability and other accounts also recorded third quarter underwriting losses.

The estate agency operations showed a continued loss of £14.8m against a loss of £12.6m last year. A restructuring programme is being implemented.

In contrast to the situation of a few years ago, the US account is showing a somewhat better picture. Underwriting losses at the nine-month stage were only slightly higher at $118.5m against $113.8m, after a third quarter where losses were down from $59m to $34.2m.

Operations in the Pacific basin showed a third quarter loss of £13.3m bringing total losses to £39.1m. However, conditions continue to improve in the NZI Bank, with losses reduced from £41m to £10.1m.

Falling stock market values resulted in GA's solvency margin worldwide dropping from 83 per cent at the end of 1989 to 50.8 per cent at the end of September. The net asset value has fallen over the same period from 599p to 350p, excluding the value of long-term business.

See Lex

CU slides to £27m in adverse climate

By Eric Short

A CONTRIBUTION of £12.2m pre-tax in the third quarter raised Commercial Union's taxable position at the end of the nine months to September 30 to £27.2m.

However, this result was well down on last year, when the third quarter profit of £20.3m lead to profits of £110.3m at the nine-month stage.

As with other composite groups, the reduced profitability arises primarily from adverse conditions in the UK – now CU's largest operating territory.

Subsidence claims of £23m in the first nine months, including £13.2m in the third quarter and more expected in the final quarter, have to be added to the £40m cost of the winter storms and the continuing rise in large fires (many of them arson) and other commercial claims.

As a result, total underwriting losses in the UK have reached £92.2m, compared with a break-even position last year.

CU has yet to finalise its position on increasing house building rates, though it is likely that it will follow the lead of other insurers and increase them by 10 per cent.

In the US, where CU has been rationalising its operations, an operating profit of £7.6m was recorded for the nine months, against £30.2m losses last year. A similar operating profit of £7.7m (£8m) was recorded in Canada.

In Europe, the operating loss was £5.5m, against a £5.2m loss last year, the result being affected by the winter storms.

Non-life premiums rose by 17 per cent, reflecting the continued development of European operations.

However, the star in CU's operation has been the growth world-wide in life and other long-term business.

Pre-tax profits overall at the nine month stage rose from £64.7m to £74.5m, with 30 per cent growth in new long-term premiums.

Tough market conditions force Thorn down £12m to £96m

By Alan Cane

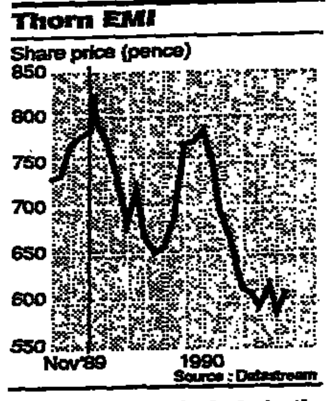
THORN EMI disappointed the City yesterday with half-year results that reflected tough conditions in several of its principal markets.

Pre-tax profits in the six months to September 30 were £96.2m, down from £108.1m. Sales, at £1.84bn, were marginally up on the £1.7bn of last year.

Fully diluted earnings per share fell from 22.3p to 19.8p, but the interim dividend is raised from 8.5p to 9p. That, said Mr Colin Southgate, chairman and chief executive, reflected the board's confidence in the group's longer-term prospects and financial strength.

The outstanding act in the group's repertoire was again the music business which, Mr Southgate, said, performed excellently. "Its recorded music business secured a significant increase in overall chart share, particularly in the critical US market."

Thorn EMI



Rental and retail business developed strongly internationally, Mr Southgate said, although rationalisation charges held profits back in the UK while the lighting business lost £1.2m on total sales of £254m; he announced yesterday that manufacturing operations would be sold to GE of the US. No buyer has been found for the defence business and efforts were being made to improve its profitability.

The chairman said the group would continue to invest heavily in both assets and new products. He believed it had been a good year for the group in the circumstances although: "We would like to think we could have done better."

Ms Sheila Martin, leisure industry analyst at Fleming, said the results were disappointing and that she was downgrading her predictions for the full year and for 1992, where she believed there would be no growth. The earnings outlook, she said, was not particularly good, and would be 63p fully diluted in each of the two years.

Hillsdown satisfies DTI on Strong takeover plan

By Jane Fuller

THE RESCUE of Strong & Fisher, the insolvent leather company, has been brought back on course following an agreement between Hillsdown Holdings, which plans to take control of Strong, and the Department of Trade and Industry.

Last week Hillsdown objected to being given just 48 hours to agree to the sale of Strong's 27.4 per cent stake in Pittard Garnar, the UK's only other quoted leather company. Had it pulled out of the rescue package, supported by Strong's banks which were owed more than £48m, Strong seemed certain to go into receivership.

Hillsdown has put forward an alternative that would involve reducing Strong's stake in Pittard to less than 10 per cent within 18 months. Mr Peter Lilley, Trade Secretary, yesterday accepted this and said it should avoid a referral to the Monopolies and Mergers Commission.

The DTI said it had been concerned about the influence Hillsdown would have over Pittard, which warned on Tuesday that it would stay in the red this year. Previous MMC examinations of the leather industry had concluded that takeovers could go ahead so long as two companies remained.

A key factor in the compromise suggested by Hillsdown is that Strong's creditor banks, which have already agreed to write off £14m of the amount owed to them, will pay Strong up to 210p per Pittard share to help cover any shortfall below 285p.

Pittard's share price closed at 37p yesterday. Early last year, Hillsdown sold a 17 per cent stake in Pittard to Strong for more than £3 a share.

The support promised by the banks for the share disposal could cost them up to £8m, although through the conversion of £24m of Strong's debt into equity they share the benefit of the arrangement.

The prospect of perhaps having to produce a further £8m had to be set against what the banks stood to lose if the company were liquidated. One comment was that £8m was not all that much in proportion to the total amount involved.

Coats Viyella restructures thread division

By Alice Rawsthorn

Coats Viyella, the largest textile group in the UK, is restructuring its thread division into two international businesses.

The thread division, one of the biggest parts of the Coats group with a workforce of 31,000, has been divided into Coats Industrial, specialising in industrial sewing threads, and Coats Crafts, involved with consumer products.

Coats Industrial will be run from Glasgow under Mr David Russell as chief executive. Coats Crafts, based in Brussels, will be headed by Mr Patrick Helmer, chief executive.

The thread division is strategically important to Coats in that it forms the base of its international network of trading companies. Coats is a leading player in the worldwide thread market in both the industrial and consumer sectors.

Mr Martin Flower, chairman of the thread division, said the restructuring reflected the "very different customer bases and requirements" of the two thread businesses.

CE Heath marginally lower at £10.2m

CE HEATH, the Lloyd's insurance broking group, reported pre-tax profits marginally down, from £10.6m to £10.2m, for the six months ended September 30 1990, writes Eric Short.

After-tax profits also showed a slight reduction, from £5.9m to £5.7m, with an earnings per share of 12.2p against 13p last time. The interim dividend is unchanged at 7.5p.

Insurance broking operations saw brokerage income rise by 21 per cent to £31.7m (£26.2m), reflecting a strong performance in the UK-based operating companies despite the relative strength of sterling and continuing competitive market conditions.

However, broking expenses were up by 25 per cent to £34.5m (£27.5m) – the result of a continued acquisition policy in the UK, expansion of the financial services operations in Europe, and an extension of the in-house training facilities. The underlying growth in expenses was only 12 per cent.

Underwriting profits fell slightly from £6.8m to £6.5m. This business was transacted in either Australian or US dollars and the fall in profits came solely from the relative strength of sterling against those currencies. Otherwise there was an underlying growth trend.

The group expected to confirm and announce the terms of the proposed acquisition of Abaco Investments, a subsidiary of British and Commonwealth Holdings, either today or tomorrow.

● **COMMENT**

The interim profits of CE Heath were somewhat disappointing. But the market was heartened by the news that rates appear to be hardening, particularly the direct marine and aviation and reinsurance, and the share price fell only 6p to 421p. However, the results, already hit adversely by the relative strength of sterling, could be hit even harder by effects of the UK's membership of the ERM from continued currency strength and falling interest rates, though expectations are that the year's pre-tax profits will advance by around 10 per cent to approach £30m. Benefits of the expected Abaco acquisition will not be reflected in the current year, though longer term it should prove to be highly beneficial.

Land Securities up 27% to £103m

By Vanessa Houlder, Property Correspondent

LAND SECURITIES, the biggest UK property company, yesterday announced a 27 per cent rise in pre-tax profits from £80.8m to £102.7m for the six months to September 30.

Income increased from £159.6m to £193.2m, of which the rental income was £162.8m, up by £31.4m. Interest payable rose from £52.3m to £59.2m.

The share price closed 4p higher at 521p.

The company described the results as "sound progress in a difficult market." It expected to benefit from considerable additional income from reviews and renewals in the next year or two.

However, weakening investment yields and reduced rental expectations had affected capital values and some of the growth in future reversionary income.

Mr. Peter Hunt, chairman and managing director, said he believed that rental growth might resume after 1991, assuming that the economy moved into balance.

All the group's completed office developments were fully let, with the exception of 68,000 sq ft in one City building. Good progress had also been made in pre-letting new buildings under construction.

Earnings per share increased from 10.42p to 13.24p. An interim dividend of 5.5p (4.75p) was declared.

● COMMENT

As the bellweather stock in a beleaguered sector, Land Securities might have expected a rough ride from the stock market this year. Not a bit of it. Since the start of the year, it has outperformed the FT-Actuaries All Share index by 15 per cent. The reason is the market's flight to quality: Land Securities is rock solid, with conservative accounting policies, sound tenants and the prospect of continuing dividend growth of 15 per cent a year. Against that, some analysts think that expectations of rental growth have been over-optimistic, given the glut of buildings in many of its markets. Moreover, there is unease about the likely fall in asset values this year, with some analysts steeling themselves for as much as a 14 per cent fall in diluted assets per share. However, the absence of an active investment market means that predictions are little more than stabs in the dark, so the continued progress of the shares may depend more on investors' search for security than arguments about value.

Interest payments shore up Regalian

REGALIAN PROPERTIES, the commercial and residential developer, yesterday announced a small drop in pre-tax profits, from £5.51m to £5.23m, for the half-year to September 30, writes Vanessa Houlder.

The result, which compared with interim profits of £17.25m two years ago, was deemed "highly commendable in the light of market conditions" by the company. The share price was unchanged at 72p.

Turnover increased from £18.85m to £31.34m, giving a gross profit of £2.04m (£2.81m).

The bulk of the profit came from the £5.85m (£5.56m) interest received from the forward payment for the Vauxhall Cross development in south London made by the government-owned Property Services Agency. The company had a virtually unchanged cash pile of £89.87m.

Most of the interim turnover came from sales of residential property. Mr David Goldstone, chief executive, said that the 50/50 scheme, by which buyers put down a 50 per cent deposit for a half-interest in their home with five years to purchase the balance at the prevailing market price, had generated substantial turnover among properties priced at less than £150,000.

Mr Goldstone believed that difficult conditions would prevail for some time and the glimmer of light at the end of the tunnel was no more than that. The company was not contemplating an early start on the schemes in its portfolio which had to await an upturn in market conditions.

Regalian is having talks with Westminster Planning Authority about the Bishopsbridge project near Paddington Station. It said that the recent announcement of the London Crossrail system would alleviate traffic problems in the area, which had been one of the main issues under discussion.

Detailed planning permission for 150,000 sq ft of offices had been obtained for a recently acquired site in St Mary Street, Cardiff.

Earnings per share dropped from 3.9p to 3.85p; the interim dividend is held at 1.5p. Net assets increased from 149.6p to 151.9p.

ACT Group doubles to £5.4m after Apricot sale

By Alan Cane

ACT GROUP, the Birmingham-based computer services combine which sold its marginally profitable Apricot computer business to Mitsubishi of Japan earlier this year, is already reaping the benefits.

Pre-tax profits more than doubled from £2m to £5.36m in the half-year ended September 30 1990, although turnover at £46.16m was 18 per cent down on the £56.4m reported last time.

Earnings per share were 4.01p (1.86p) and the interim dividend is raised to 6.25p (0.75p). Mr Roger Foster, chairman, explained the dividend included the special 5p paid in July as a result of the Apricot takeover.

The balance sheet showed that fixed assets had fallen from £9.5m to £5.3m through the Apricot disposal but cash had risen from £2.1m to £24.6m. That was being held against the possibility of making acquisitions in line with the group's strategic direction, Mr Foster said.

All the divisions were profitable with the exception of the small, pioneering medical group which he thought would prove a strength in the future.

Ultramar advances sharply to £44.6m

By Steven Butler

John Darby, chairman, pleased at the record profits

ULTRAMAR, the diversified oil group, yesterday reported a strong third-quarter performance, with historic cost after-tax profits at a record £44.6m, compared with £15.5m a year ago. Even on a replacement cost basis, which strips out the effect of inventory gains, however, Ultramar was well ahead with a 52 per cent increase to £32.9m.

Looking at the first nine months of the year, historic cost net profits rose only modestly from £76.2m to £78.9m. The company said, however, that underlying dollar earnings had increased by 20 per cent.

The results reflect Ultramar's success in maintaining strong margins in refining and marketing, where many oil companies have recently reported a difficult quarter.

Oil and gas production increased slightly during the nine-month period to 107,100 barrels a day, with higher US and Indonesian production offset partially by the sale of Canadian and Egyptian production.

Liquefied natural gas shipments from Indonesia increased by three cargoes to 89. Upstream profits in the third quarter rose to £10m from £8.1m, while for the nine months profits fell from £32.1m to £28.1m.

In the refining and marketing end of the business, in which Ultramar is active in eastern Canada and California, historic cost profits rose from £33.6m to £62.5m in the quarter. Throughput at the Quebec refinery rose by 17 per cent in the nine months to 113,100 barrels a day.

The company said it had been able to recover the higher costs of its supplies with higher sales prices to its customers, although it said sharp fluctuations in oil prices could make it difficult to continue doing so.

Earnings per share in the quarter rose from 4.2p to 12.1p. For the nine months, earnings rose from 20.8p to 21.4p.

Ryanair looking for British carrier to take stake

Ryanair, the Irish independent airline, says it is looking for a British carrier willing to take a shareholding in its business and jointly develop operations.

The airline announced losses of I£4.5m last year, compared with I£6m in 1988. Mr PJ McGoldrick, the chief executive, said the company was determined to survive the present difficulties in the aviation business, caused mainly by a rise in the cost of fuel.

Ryanair began operations in the mid 80's and is credited with helping to bring about price reductions and a big expansion in passenger traffic across the Irish Sea. But in recent months increased competition, coupled with a drop in passenger traffic, has led to staff reductions and cutbacks.

VSEL rises 36% midway but warns on full year

By Charles Leadbeater, Industrial Editor

IMPROVED CASHFLOW and a sharp increase in interest income helped the VSEL Consortium, the military shipbuilders, to increase interim pre-tax profits by 36 per cent from £12.13m to £16.54m.

However, the group warned that its full-year results would be affected by provisions it will have to make for restructuring and redundancies to take account of the decline in military spending.

Trading profit rose from £15m to £15.69m in the six months to the end of September.

Turnover increased by £2m to £247.9m.

The group is in the midst of a radical restructuring intended to respond to the forecast decline in military spending.

Mr Noel Davies, chief executive, said a small number of serious inquiries had been received from companies interested in purchasing the Cammell Laird yard in Birkenhead. He would be holding talks with potential purchasers within the next few weeks.

The company expects to announce an extensive review of its operations at Barrow, in Cumbria, in the early part of next year. The review is examining the likely impact of the Ministry of Defence's review of defence spending.

The company recently announced 550 redundancies at the Barrow yard, where employment has fallen by a total of 700 to 13,300 in the last 12 months.

Mr Davies said profits in the second half would be improved because it would be taking profit deferred on contracts for the first two Trident submarines ordered by the Navy.

In addition, on Tuesday, the government announced that it was going ahead with an order for a third Trident and the company hopes to soon start talks on a contract to build a fourth. This will provide it with development funding.

Earnings per share in the first half rose from 30.8p to 37.9p, while the interim divided was increased from 3p to 7p.

Dunhill improves 31% on operating efficiencies

By Maggie Urry

OPERATING efficiencies enabled Dunhill Holdings, the luxury consumer goods group, to lift its interim pre-tax profit by 31 per cent as turnover dropped 3 per cent.

For the six months ended September 30, profit reached £33.6m (£25.7m) on turnover of £118.6m (£122.5m).

The group, in which Rothmans International, the tobacco and luxury goods company, has a controlling stake, said that trading conditions were more difficult but that margins rose, thanks to operating efficiencies.

It was "confident of continued progress in the second half" despite the trading conditions, but provided there was no serious deterioration in the world economy or the situation in the Gulf.

More than 90 per cent of group sales were generated outside the UK and "weaker export currencies have contributed to lower sales in sterling terms".

Contribution to profit from the Dunhill brand was higher, while Montblanc, the expensive pen business, produced a significant increase on strong sales growth. The Chloé fashion and perfume business maintained sales.

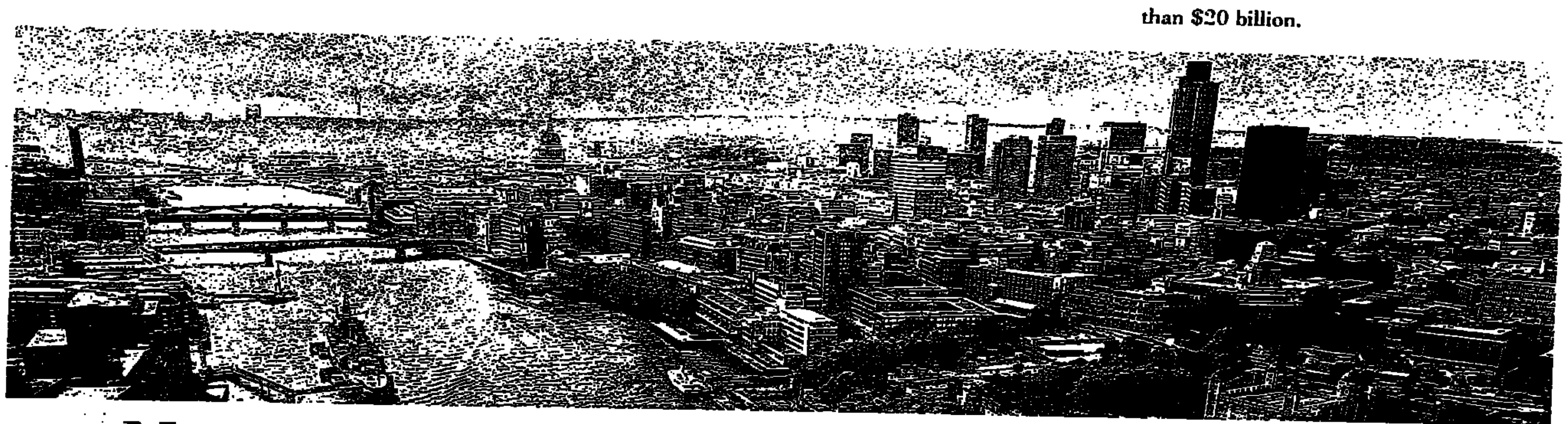
The group gives few financial details at the interim stage. It said that income from interest "also made a valuable additional contribution to profits" but did not specify what that was.

Earnings per share rose 30.5 per cent to 12.4p (9.5p) and the interim dividend is up 30 per cent to 2.6p (2p). The shares gained 3p to 368p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ACT Group ....int	1.25‡	Jan 7	0.75	-	2.25
Boots ....int	4.1	Feb 4	3.85	-	11
British Airways ....int	2.8	Jan 11	2.8	-	8.85
Dunhill ....int	2.6	Jan 4	2	-	5.5
Elect'components.....int	1.8	Jan 2	1.7	-	6
Five Oaks Inv ....fin	0.4	Jan 4	1	1	1.6
Hadleigh Inds § ....int	2.2	Jan 4	2	-	6
Heath (CE) ....int	7.5	Jan 8	7.5	-	25.875
Jessups ....fin	4.75	Jan 4	4.75	7	7
Land Securities ....int	5.5	Dec 17	4.75	-	17
Principal Hotels........fin	nil	-	1	1	2
Regalian Props ....int	1.5	Jan 4	1.5	-	4
Shaw (Arthur) § ....int	1.3	Jan 3	1.3	-	4.1
Thorn EMI ....int	9	Mar 1	8.5	-	30
VSEL ....int	7	Jan 4	4.5	-	20
Whitbread Inv ....int	3.95	Jan 4	3.35	-	11.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Special 5p already paid.



UK COMPANY NEWS

City analyst predicts appalling first half figures

Davy chief quits ahead of results

By Andrew Bolger

MR ROGER Kingdon has resigned as chief executive of Davy Corporation, the UK's largest independent engineering contractor, days before interim results which are widely expected to be disastrous.

Shares in Davy yesterday closed 5p down at 68p, valuing the group at £80.6m – less than a third of the £277m which the company was worth as recently as June 4.

Analysts said the sudden collapse in the share price had threatened the independence of the British group, which had been bedevilled by loss-making contracts in recent years.

One analyst said: "The results will be appalling, but it has got beyond the realms of analysis to put figures on it. We are predicting breakeven for the year, but it really all depends on how and where they take provisions."

The shares started to plunge in late June, after the company revealed losses of £25.6m in its offshore division on a £120m contract to provide a floating production platform for the Emerald oil field, east of Shetland.

Mr Kingdon, who was closely identified with the Emerald contract, will be replaced by Mr Patrick McTigbe, who has been deputy chief executive for three years.

Davy has filed claims totalling about £50m against its client, Midland and Scottish Resources, the USM-quoted oil and production services group. MSR has counter-claimed for £5m and may submit a further claim for late delivery of the rig from Davy's Dundee yard.

Davy is also in dispute with Exxon, the US oil company, over a £100m contract which is running nine months late at Britain's largest oil refinery at Fawley, near Southampton.

A troublesome contract at British Steel's Universal Beam plant on Teesside is thought to have led a cost over-run in the order of £10m.

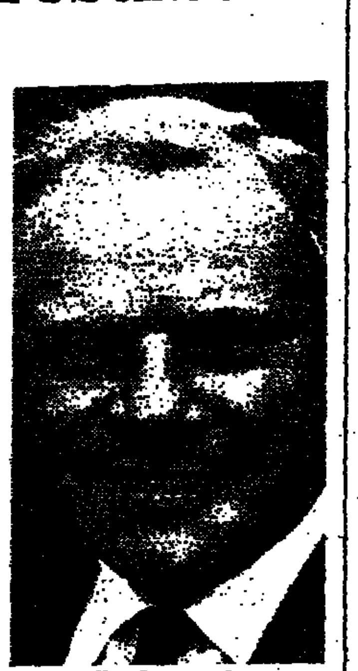
There have also been problems with a defence contract at Barrow-in-Furness, but the figure involved is said to be much less significant.

Mr Kingdon's departure continues a big reshuffle at the top of Davy. Sir Alistair Frame, formerly chairman of RTZ, the world's largest mining group, took over as chairman of Davy from Lord Jellicoe in January and Mr Derek Hawkins has since replaced Mr Len Carswell as finance director.

One possible source of pressure on Davy may be Spie-Batignolles, the French construction concern, which took a 14.7 per cent stake in the British group in March in exchange for Clecim, the French group's subsidiary which designs and builds production plant for steel and other metal industries.

The French group, which was given a seat on Davy's board, has since seen the value of its stake fall from £41.1m to £11.83m.

Davy's results for the six months to September 30 will be published next Thursday. In the same period last year, it made pre-tax profits of £11.13m



Roger Kingdon – departure continues a big reshuffle at the top at Davy

Acquisition behind 67% jump at Hadleigh

By Andrew Jack

A RECENT acquisition helped boost pre-tax profits by 67 per cent at Hadleigh Industries, the industrial, automotive and exhibition company, in the six months to September 30.

Hadleigh, which joined the USM last year, announced taxable profits of £1.1m, compared with £660,000 last time. Turnover almost doubled to £17.48m (£8.94m).

Mr Tony Cookson, chairman, said that one-third of the increase in profits came from Lyston, a manufacturer of exhibition trailers, which Hadleigh bought for £3.58m last December.

Mr Cookson said that "there was a series of problems with sub-contractors" in the engineering division, which fell £200,000 short of its performance target. But the businesses remained profitable and the problems have since been "identified and rectified".

The automotive division was static compared with last year. Costs were trimmed at Trailerpoint, the distributor of trailer spare parts, and the company is considering acquisitions to create a national distribution network.

Hadleigh recently bought Universal Bulk Handling, a manufacturer of tank containers, from Tiphook for £1.98m. But the purchase in August was too early to contribute significantly to profits.

Earnings per share were 10.4p (9.1p). The directors declared an interim dividend of 2.2p (2p).

Hadleigh's shares closed down 7p at 188p.

Creditors body formed to liaise with Polly Peck administrators

By Richard Waters

A COMMITTEE of creditors and investors was announced yesterday to liaise with the administrators of Polly Peck International in an unusual step intended to give a say to all those affected financially by the collapse.

The move was seen as an attempt by the administrators to keep Polly Peck's bankers, bondholders and shareholders informed of developments in case they need to seek more cash from them some time in the future.

The administrators have made it clear they hope to keep Polly Peck afloat, and a further cash injection, probably through a rights issue, would be one way of achieving this.

Commenting on the formation of the committee, the representative of some of the largest institutional shareholders said yesterday: "The administrators obviously see a good chance here of co-operating with the creditors and investors in achieving some form of trade-out."

The members of the committee are: Commonwealth Bank of Australia, National Westminster, Standard Chartered, United Mizrahi, Credit Suisse First Boston (which manages a syndicate of banks which lent money to Polly Peck to finance the purchase of Del Monte), Warburg Soditic (which was responsible for Polly Peck's Swiss franc bond issues), Postel and Friends Provident (both shareholders).

Meanwhile Mr Asil Nadir, Polly Peck's chairman, further delayed a trip to northern Cyprus. The visit, to enable him to assist the administrators in unlocking Polly Peck assets on the island, had already been put off last week to enable Mr Nadir to prepare for a bankruptcy hearing against him. An aide said Mr Nadir was expected to leave the country by the end of the week.

Crossroads Oil back in profit

Crossroads Oil Group returned profits of £16,726 for the half year to end-September, compared with previous losses of £33,207.

Turnover slipped back from £509,127 to £492,036 and earnings worked through at 0.04p (losses 0.31p) per 5p share.

The directors said the deep exploratory drilling programme was looking encouraging and that contributions from the Louisiana offshore development programme should prove significant.

Further cuts at failed Coloroll's carpet offshoot

By Alice Rawsthorn

The receivers of Coloroll are cutting production and staff at Crossley Carpets, the old Coloroll factory, having so far failed to find a buyer for the business.

Ernst & Young, which was called in as Coloroll's receivers when the group collapsed in June, said it was "still talking" to a number of prospective buyers in the hope of concluding a deal to sell the business as a going concern.

However, Ernst said that as there was no deal in sight, it had no option but to cut the cost base at Crossley.

There have already been significant cuts at the plant. The workforce has been reduced from 1,000 (before the receivership) to between 500 and 600 people. Production has also been cut as the product range has been reduced significantly to concentrate on better selling lines.

Crossley, based at Kidderminster, in Worcestershire, is one of the largest carpet factories in the UK. It was bought by Coloroll as part of its ill-fated acquisition of the John Crowther textile group three years ago.

The carpet market is under intense pressure after two years of depressed demand. Sales have been hit by the collapse of the housing market and the slowdown in consumer spending.

Ernst & Young completed the sale of Kosset, the other large carpet plant within the old Coloroll group, to a management buy-out team this summer. The sales of the other sizeable Coloroll subsidiaries are now completed after the disposal, earlier this week, of the Edinburgh Crystal glassware business.

Extel ahead

First half profits of Extel Group, the publishing and information services subsidiary of United Newspapers, rose from £3.52m to £3.77m.

Three groups to buy Airship Industries assets

By Andrew Jack

The assets of Airship Industries, the UK airship manufacturer which went into receivership in September, are to be divided between ML Holdings, Westinghouse and Airship International.

Slingsby Aviation, a wholly-owned subsidiary of ML, the UK-based aerospace and component distributor company, has agreed to pay £430,000 for the airship business's principal assets, including stocks, work in progress, fixed assets, plant and intellectual property rights.

Westinghouse Electric Corporation, of the US, has acquired the partially-completed 600S airship developed for the US Navy Airship Programme to house an early warning system.

Westinghouse was the lead partner in a joint venture with Airship Industries on the contract, and will continue to use Slingsby to provide components. The sales could be worth £10m over the next two years for Slingsby, the company said yesterday.

Slingsby was the principal subcontractor to Airship Industries, providing gondolas, nose cones, fins and control surfaces. Their purchase includes two renovated airships and four new ones under construction.

"I think (the acquisition) will probably add £2m to £3m to our turnover in the next two or three years," said Mr Jim Tucker, managing director of the ML Slingsby Group. This would boost the division's sales by about 20 per cent, he said.

Airship International, a US-based operator, has bought three airships owned by Airship Industries which it had previously operated on the company's behalf.

Airship Industries went into receivership in early September with £50m debts, of which some £35m were unsecured loans from Bond Corporation Holdings and £15m from Standard Chartered Bank.

Metro Radio 36% up at £2.2m

Strong local sales in a "buoyant" market for radio advertising in north east England helped Metro Radio to pre-tax profits of £2.19m in the year to September 30 1990.

Mr Neil Robinson, managing director of the Newcastle-based Metro, which recently completed its takeover of Yorkshire Radio Network, said yesterday that he was delighted with the result which represented an increase of 36 per cent in pre-tax profits.

Earnings per share rose by 32 per cent to 15.3p and the dividend is increased by 38 per cent to 5p.

Turnover rose by 29.2 per cent, from £6.48m to £8.37m.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted except retail sales value.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	119.8	118.4	34.3	121.5	146.0	1,675	214.5
November	118.8	118.0	34.2	121.7	149.2	1,652	209.5
December	110.5	118.5	33.8	122.4	185.5	1,635	195.4
1990							
1st qtr.	116.3	119.7	34.2	120.7	135.1	1,609	187.9
2nd qtr.	112.3	121.6	36.2	123.7	143.2	1,612	194.1
January	110.0	119.8	34.6	122.2	134.2	1,612	198.3
February	109.5	118.0	35.0	124.4	134.8	1,610	186.7
March	111.3	121.1	34.2	122.8	136.1	1,604	188.6
April	112.3	121.6	35.4	122.8	164.0	1,607	200.2
May	111.0	121.2	35.6	124.4	144.8	1,611	195.0
June	113.5	120.0	36.2	123.6	141.2	1,618	186.2
July	109.5	119.9	35.3	124.9	145.8	1,632	179.5
August	106.8	118.6	35.6	122.9	143.4	1,655	169.4
September	108.4	117.5		122.7	143.6	1,667	162.9
October				121.4	149.5		

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1989							
1st qtr.	115.1	120.3	104.3	119.8	121.2	100.0	18.2
2nd qtr.	115.3	121.9	103.9	120.6	123.3	98.1	19.2
3rd qtr.	114.9	122.3	104.9	121.5	122.7	97.6	16.3
4th qtr.	114.7	121.6	104.3	120.1	122.0	97.4	12.4
August	114.7	122.5	105.7	121.8	123.0	98.0	14.9
September	114.7	121.2	105.7	122.0	124.0	97.6	14.6
October	114.5	122.1	105.1	123.4	124.0	96.4	16.0
November	113.9	118.2	105.2	118.0	122.4	97.0	13.5
December	116.0	121.5	104.4	121.9	132.0	100.0	8.6
1990							
1st qtr.	115.7	122.6	103.6	121.4	120.0	98.4	14.2
2nd qtr.	115.7	125.3	103.2	123.1	120.8	97.3	14.1
January	115.9	122.3	103.1	121.0	119.0	100.0	14.2
February	114.8	121.7	102.9	120.0	117.0	100.0	12.4
March	116.6	123.6	104.8	123.0	125.0	98.4	16.0
April	116.7	127.0	105.3	124.0	125.0	98.0	13.8
May	115.2	128.4	103.9	124.6	127.5	96.8	14.7
June	115.2	122.6	100.5	122.0	122.0	96.0	13.7
July	114.7	123.7	102.3	123.0	120.8	95.9	13.8
August	115.1	120.6	102.1	119.0	117.0	96.0	13.4
September	115.1	117.1	102.6	118.0	121.8	94.0	12.3

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1989							
1st qtr.	113.2	141.5	-5,251	-4,520	+229	98.4	51.25
2nd qtr.	113.7	141.8	-5,599	-4,888	+228	98.1	45.67
3rd qtr.	117.8	142.5	-6,808	-6,150	+387	97.8	43.24
4th qtr.	124.6	138.1	-4,382	-3,785	+627	96.9	39.03
September	122.3	145.0	-2,035	-1,882	+104	98.5	42.88
October	122.7	139.4	-1,685	-1,457	+212	96.6	38.48
November	122.0	141.2	-1,849	-1,651	+205	96.9	38.77
December	129.0	134.6	- 848	- 650	+210	96.9	38.84
1990							
1st qtr.	125.1	147.4	-5,826	-4,812	+430	97.1	38.75
2nd qtr.	127.8	146.1	-5,175	-4,843	+425	97.6	38.98
January	125.7	150.1	-2,016	-1,820	+136	97.4	38.45
February	124.4	140.2	-1,486	-1,080	+152	97.4	38.54
March	125.2	152.6	-2,354	-1,932	+142	96.6	38.29
April	127.3	151.4	-2,064	-2,045	+150	97.3	38.03
May	129.6	147.6	-1,511	-1,482	+101	97.5	38.93
June	128.3	144.9	-1,603	-1,584	+172	97.9	39.07
July	119.8	148.9	-1,770	-1,770	+ 25	98.9	38.64
August	125.2	142.6	-1,190	-1,190	+145	102.1	38.20
September	128.1	141.0	- 845	- 845	+295	103.7	38.95
October							38.57

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1989							
1st qtr.	6.7	15.2	18.2	+21,220	2,881	+997	13.00
2nd qtr.	6.0	13.1	18.2	+28,208	1,736	+289	14.00
3rd qtr.	5.3	10.2	17.1	+25,122	2,285	+729	14.00
4th qtr.	5.7	10.1	17.5	+28,000	1,667	+385	15.00
September	4.5	10.6	17.4	+10,444	838	+184	14.00
October	5.2	9.9	17.2	+ 5,187	704	+175	15.00
November	5.7	10.7	17.5	+ 4,330	777	+208	15.00
December	6.1	9.8	18.1	+10,881	178	- 2	15.00
1990							
1st qtr.	6.2	8.6	17.8	+22,188	1,115	+981	15.00
2nd qtr.	6.9	8.1	17.2	+16,407	2,285	+719	15.00
January	5.5	9.2	18.2	+ 9,303	380	+409	15.00
February	6.4	8.1	17.8	+ 7,148	363	+263	15.00
March	6.2	8.6	17.4	+ 5,382	381	+189	15.00
April	7.2	8.5	17.4	+ 3,827	783	+183	15.00
May	6.9	7.7	17.2	+ 5,711	703	+224	15.00
June	6.5	8.2	16.8	+ 6,888	800	+342	15.00
July	5.5	8.3	16.3	+ 4,387	883	+122	15.00
August	4.9	7.5	15.8	+ 4,578	803	+160	15.00
September	4.6	7.2	14.8	+ 7,404	800	+377	15.00
October							14.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1989							
1st qtr.	106.3	102.5	116.8	111.7	107.5	1,878	95.0
2nd qtr.	107.5	104.4	118.2	114.9	110.2	2,014	92.2
3rd qtr.	108.6	102.1	119.7	116.0	110.7	1,912	91.4
4th qtr.	112.5	105.8	121.2	118.3	113.5	1,902	88.0
September	110.9	103.8	120.2	116.6	111.6	1,902	91.2
October	112.2	104.7	120.5	117.5	111.8	1,894	91.2
November	112.8	105.7	121.2	118.5	112.4	1,865	88.7
December	113.5	107.7	121.5	118.9	114.6	1,863	87.9
1990							
1st qtr.	115.9	105.7	123.1	120.4	115.9	1,836	88.1
2nd qtr.	118.6	103.6	125.7	125.9	118.6	1,804	88.5
January	115.1	107.4	122.5	119.5	116.0	1,800	87.7
February	115.6	104.6	123.0	120.2	117.0	1,780	86.6
March	117.3	105.1	123.9	121.4	117.7	1,800	87.1
April	117.4	104.7	125.1	125.1	118.2	1,800	87.2
May	118.7	103.6	125.8	126.2	120.5	1,868	88.0
June	119.7	102.1	126.1	126.7	120.8	1,800	90.5
July	119.9	101.1	126.4	126.8	119.6	1,800	92.4
August	120.5	101.2	126.9	128.1	120.0	1,795	93.3
September		104.0	127.3	129.3	120.5	1,801	93.5
October		105.6	127.9			1,720	94.2

*Not seasonally adjusted

†Net changes in consumer outstanding, including banking

General Accident

NINE-MONTHS' RESULTS

The results of the General Accident Group for the nine months ended 30th September 1990, estimated and unaudited, are compared below with those for the similar period in 1989, which are restated at 31st December 1989 rates of exchange; also shown are the actual results for the full year 1989.

It must be emphasised that the results for an interim period do not usually provide a reliable indication of those for the full year.

	9 Months to 30.9.90 Estimate £ millions	9 Months to 30.9.89 Estimate £ millions	Year 1989 Actual £ millions
Premium Income:			
General Business	2,336.5	2,333.6	3,100.2
Long Term Business	300.1	278.2	381.3
	2,636.6	2,611.8	3,481.5
Investment Income	314.1	340.9	462.7
NZI Bank Result	(10.1)	(41.0)	(47.6)
Estate Agency Result	(14.8)	(12.6)	(20.5)
Underwriting –			
General Business Result	(311.1)	(125.9)	(203.8)
Long Term Business Profits	14.3	15.5	26.9
	(7.6)	176.9	217.7
Less Interest on Loans	65.7	39.8	64.5
U.K. Employee Profit Sharing Scheme	–	–	6.2
Profit (Loss) before Taxation	(73.3)	137.1	147.0
Taxation – U.K. and Overseas	(18.1)	40.9	32.1
Profit (Loss) after Taxation	(55.2)	96.2	114.9
Minority Interests and Preference Dividends	(2.5)	(13.4)	(13.7)
	(52.7)	109.6	128.6
Long Term Business Profits – GA Life 1988 Valuation	–	–	9.5
Net Profit (Loss) attributable to Shareholders	(52.7)	109.6	138.1
Earnings per Ordinary Share	(12.3p)	26.0p	32.6p
Principal exchange rates used in translating overseas results			
U.S.A.	\$1.87	\$1.61	\$1.61
Canada	\$2.16	\$1.87	\$1.87

Notes

(1) Under a Scheme of Arrangement sanctioned by the Court of Session under Section 425 of The Companies Act 1985 and effective on 5th July, 1990 the shareholders of General Accident Fire and Life Assurance Corporation plc received for each share then held, two new shares of 25p each fully paid in General Accident plc.

(2) Investment Income excludes £8.2m (1989 £9.4m) representing amortisation of U.S. deep discount bonds which under the U.S.A. accounting conventions would be credited to earnings.

(3) The NZI Bank result includes gains and losses both realised and unrealised on investments held for trading purposes.

(4) The transfer of shareholders' profit from the long term business fund is stated gross of taxation and on a current year basis.

ANALYSIS BY TERRITORY OF GENERAL BUSINESS PREMIUM INCOME AND UNDERWRITING RESULT

	9 months to 30.9.90 Premium Income £m	9 months to 30.9.90 Underwriting Result £m	9 months to 30.9.89 Premium Income £m	9 months to 30.9.89 Underwriting Result £m
U.K.	877.9	(130.0)	784.1	25.5
U.S.A.	648.3	(63.4)	691.2	(70.2)
EEC other than U.K.	126.5	(35.2)	132.1	(20.3)
Canada	271.7	(0.7)	283.1	(6.3)
Pacific	246.7	(39.1)	268.6	(10.6)
Other Overseas	76.7	(13.6)	74.8	(1.1)
London Market Business incl. Internal Reins.	88.7	(29.1)	99.7	(42.9)
	2,336.5	(311.1)	2,333.6	(125.9)

Net written premiums increased in sterling terms by 0.1% while investment income fell by 7.9%. Adjusted to exclude the effects of currency fluctuations, the increase in premiums was 8.4% and the reduction in investment income, which continued to reflect the impact on cash flow of higher claims costs, was 1.1%.

In the third quarter there was a worldwide underwriting loss of £88.0m [1989 £77.0m loss] with losses in the United Kingdom of £35.5m [1989 £6.4m profit] and in the United States of £18.2m [1989 £36.3m loss]. Elsewhere there were aggregate underwiting losses of £34.3m [1989 £47.1m loss]. The pre-tax loss for the quarter amounted to £5.4m [1989 £15.1m profit].

For the nine months there was an underwriting loss of £130.0m [1989 £25.5m profit] in the UK. The Homeowners' account produced a loss of £28.0m [1989 £10.6m profit] having been adversely affected by the cost of severe weather in the first quarter and by the cost of subsidence claims particularly in the third quarter. The Commercial Property account continued to suffer from weather related claims in the first quarter and from an increased incidence of large fire losses to produce a loss of £40.7m [1989 £13.0m profit] for the nine months. The Motor account produced a loss at the third quarter of £40.7m [1989 £3.0m profit] reflecting a continued increase in claims frequency and average cost of claims. The Liability account deteriorated in the third quarter.

In the United States, net written premiums were \$1,212m [1989 \$1,113m] with an operating ratio of 109.38% as compared with 109.89%. On the United Kingdom accounting basis the underwriting loss was £63.4m [1989 £70.2m loss]. In the third quarter Commercial lines performed better than in the second quarter while Personal lines reported a deterioration. Both performed better than in the equivalent period last year which was adversely affected by losses arising from Hurricane 'Hugo.'

Canada continued to produce a good result and reported an underwriting profit of £0.2m [1989 £1.5m loss] in the third quarter and a deficit at the nine months of £0.7m [1989 £6.3m loss].

Elsewhere there were aggregate underwriting losses of £117.0m [1989 £74.9m loss] with most territories reporting increased losses. Results in Europe and Pacific continued to reflect the impact of bad weather, most noticeably in Australia where storm losses persisted into the third quarter. Experience in the London Market gives some cause for concern.

New annual premiums for life business in the United Kingdom for the first nine months of 1990 were £38.6m [1989 £38.4m] and single premiums £36.9m [1989 £26.3m].

General Accident plc

World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH.

PUBLIC WORKS LOAN BOARD RATES

Effective November 14

Years	Quota loans repaid by EPT†	Quota loans repaid Ann††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT†	Non-quota loans A* repaid Ann††	Non-quota loans A* repaid at maturity§
1			12⅛			12⅞
Over 1 up to 2	12⅛	12⅛	12	13⅛	13⅛	12¾
Over 2 up to 3	12	12	11⅞	13	13	12⅝
Over 3 up to 4	11⅞	11⅞	11⅞	12⅞	12⅞	12⅝
Over 4 up to 5	11⅞	11⅞	11⅞	12⅞	12⅞	12⅝
Over 5 up to 6	11⅞	11⅞	12	12⅜	12⅜	12½
Over 6 up to 7	11⅞	11⅞	12	12⅜	12⅜	12½
Over 7 up to 8	11⅞	11⅞	12⅛	12⅜	12⅜	12⅝
Over 8 up to 9	11⅞	12	12⅛	12⅜	12½	12⅝
Over 9 up to 10	12	12	12⅛	12½	12½	12⅝
Over 10 up to 15	12⅛	12⅛	11⅞	12⅝	12⅝	12⅜
Over 15 up to 25	12	11¾	11⅝	12½	12¼	12⅛
Over 25	11⅝	11½	11½	12⅛	12	12

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Lighting loss limits rise to 3% at Electrocomponents

By Jane Fuller

A LOSS in retail lighting activities limited the profits increase to 3 per cent at Electrocomponents, the distributor of electronic and electrical components.

Pre-tax profit rose from £23.9m to £24.7m in the six months to September 30. Sales, reflecting the disposal of the franchised components business, advanced by 2 per cent to £194.5m (£190.7m). The share price shed 13p to close at 180p.

Sir Keith Bright, the chairman, formerly head of London Regional Transport, said the strength of the RS components business was helping the group to progress, but this was being hindered by weak demand in UK retailing. The Electrolighting subsidiary incurred a loss.

Sixty per cent of sales and virtually all the profit came from RS, which sells 25,000 items through catalogues to 100,000 industrial customers.

However, with the bulk of its business in the UK, it had seen growth slacken from the second quarter and bad debts increase. Export sales had been hampered by the Gulf crisis.

Mr Robert Tomkinson, finance director, said the month-on-month performance remained ahead of last year. Recent acquisitions would help overseas sales.

The other core activity, Misco, which sells PC accessories, saw strong growth in Italy

Sir Keith Bright: strength of RS was helping group progress

and Spain, but weakness in the UK, and US, the biggest market, suffered a loss.

In distribution to retailers, the benefits of amalgamating Pact with its rival Wellco, leaving Wellco's vendor BTR with a 30 per cent stake, were yet to come through and Pact's profits were down.

Electrolighting was hit by the sharp decline in house moves. Mr Tomkinson said two factories had been closed. Options being considered included selling all or part of the business.

Gearing was 25 per cent on net debt of £27.9m, following spending of £42m on acquisitions and expansion of RS's Corby warehousing. Strong cash flow would reduce gearing to nil in 18 months' time.

Earnings were 7.62p (7.42p) and the interim dividend 1.8p (1.7p).

COMMENT

After an expensive period of diversification, Electrocomponents is returning to its roots in catalogue selling. Part of the Mesa computers business has been sold and the rest, plus, more importantly, the retailing operations are expected to follow. The pile of cash generated by RS is again being used for its benefit, notably in the £21m expansion at Corby and in the acquisitions of Verospeed and an Australian distributor. Great potential lies in France and Germany, where Verospeed will be amalgamated with the planned RS launch next spring. This year pre-tax profit is expected to stay flat at between £58m and £59m because the RS/Misco growth is being offset by retailing losses and a bump in capital spending. This gives a prospective multiple of less than 10, roughly in line with the market, whereas the defensive and cash generative qualities of RS probably deserve a premium.

Bass identifies 2,650 pubs for disposal

By Philip Rawstorne

BASS, the brewing and hotels group, announced that it had identified some 2,650 of its pubs throughout the country that would either be sold or leased during the next two years.

The restructuring of its pub estate will meet Monopolies and Mergers Commission requirements for continuing both its brewing and pub retailing operations.

Brewers with more than 2,000 pubs must free half of the excess number from tied beer supplies by November 1992.

After a six-month detailed survey of its pub estate, Bass has decided to transfer around 580 pubs from tenancy to management, giving it a managed estate of about 3,165. More than 1,400 existing tenancies will remain tied on leases of varying duration.

The remaining tenancies, totalling some 2,500, together with 150 managed houses, will either be sold or leased free of the tie.

Mr Charles Darby, chief executive of Bass Inns & Taverns, said "While we deeply regret the uncertainty created by the orders which followed the MMC report, we must now position our pub estate to comply with them and gain the best value for shareholders. We aim to have fewer, but high quality houses, whether managed or leased."

All licensees affected have been notified and individual meetings are being held over the next few weeks to discuss the implications.

Bass will consider offers from tenants for the pubs they occupy, if they are not part of any sale package, or for any alternative pubs available. Pubs may also be sold in blocks to other interested parties.

BOARD MEETINGS

TODAY

Interims- Bank of Ireland, Cater Allen, F& C Germany Inv. Trust, Graham Wood, Hartstone, Honda Motor, Locker (Thomas), Rexmore, Saunders & Sidney, 600 Group, Staveley Inds., Wood (S.W.)

Finals- Blenheim Exhibitions, Burton, Concentric, Drayton Asia Trust, FKI, Gleeson (M.J.), Greyfriars Inv., Tomkinsons, Wellcome.

FUTURE DATES

Interims-	
Amber Industrial	Nov. 22
Booth Inds.	Dec. 14
Davy Corp.	Nov. 22
Edbro	Dec. 3
Fuller, Smith & Turner	Dec. 12
Harland Simon	Nov. 19
J.S. Pathology	Nov. 16
Marling Inds	Dec. 10
Maxwell Communications	Nov. 28
Owen & Robinson	Nov. 16
Personal Assets Trust	Nov. 19
Portsmouth Water	Nov. 22
Racal Electronics	Nov. 22
Racal Telecom	Dec. 11
Ritz Design	Nov. 20
Salvesen (Christian)	Dec. 5
Finals-	
ABI Leisure	Nov. 28
Anglo Scandinavian Inv.	Nov. 27
Apollo Metals	Nov. 27
Diploma	Nov. 19
Murray Enterprise	Dec. 6
Pilkington	Dec. 6
Royal Bank of Scotland	Nov. 29
Scottish Inv. Trust	Nov. 29
Tate & Lyle	Nov. 26
Tunstall	Dec. 6
Wescol	Nov. 26

NEWS DIGEST

93% take-up for Bryant cash call

BRYANT GROUP, the housebuilding and development group, yesterday announced a 93 per cent take-up for its £38m rights issue, writes Richard Gourlay.

Mr Chris Bryant, the chairman, said the successful completion of the issue demonstrated shareholders' confidence in the company's plans to buy land for housebuilding.

The one-for-four rights issue was priced at 77p, a 17 per cent discount to the then share price of 92.5p. The rights not taken up have been placed with a variety of institutions.

The immediate effect of the issue has been to reduce the company's debt to below £10m from £49m, Mr Michael Chapman, the finance director said.

J England to launch £2.9m rights issue

J England Group, the food processing, vegetable supplies and plant hire company, is planning to raise £2.9m via a rights issue of 12.16m ordinary shares on a two-for-one basis.

The funds will help to reduce the "unacceptably high level" of bank and other short-term borrowing, which stood at £1.8m at October 12, the group said.

Clearmark warning of major shortfall

Clearmark Group, directors reported extremely difficult trading since September and warned of the likelihood of "a major shortfall" against the year-end expectation.

However, the group had the support of its bankers and the final stage of the long-term strategy to restructure would be implemented later this week; the group's dependence on Christmas trading would be greatly reduced.

Initial indications, coupled with forward contracts placed, suggested that the outlook for 1991 would be very favourable, particularly when considered in the light of the reorganisation, the directors added.

The share price gained 1p to 3p yesterday, after falling by 1¼p the previous day. The high for the year has been 12p.

Sharp fall to £0.24m for Arthur Shaw

Pre-tax profits more than halved at Arthur Shaw & Company, the USM-quoted security fittings maker, in the six months to September 30.

On turnover slightly down, from £6.49m to £6.36m, the taxable result was £235,000 against £559,000.

The figures do not include any material contribution from the Jackdaw group of companies acquired about two weeks before the end of the half year. The second half will include a full contribution from Jackdaw.

After tax of £85,000 (£200,000) earnings per share fell to 2p (4.7p) but the interim dividend is held at 1.3p.

Interest knocks back Jessups to £1.4m

Jessups, the Essex-based motor dealer and vehicle leasing group, suffered a sharp setback in profits for the 1989-90 year blaming high interest rates for much of the downturn.

The 12 months to end-August saw profits at the pre-tax level decline to £1.38m, a shortfall of 51 per cent on the previous year's £2.8m. Turnover edged ahead by 3 per cent to £100.77m.

The dividend for the year is being maintained at 7p via an unchanged final of 4.75p.

Mr Alan Jessup, chairman, said yesterday that following a satisfactory performance in the first eight months the group had since suffered a substantial decline.

Apart from a fall in vehicle sales, after-sales activities had also been affected by high interest rates.

Interest charges for 1989-90 rose from £2.56m to £3.55m. After tax of £404,000 (£970,000) basic earnings emerged at 6.93p (18.7p). The fully diluted figure amounted to 8.41p (17.65p).

Principal Hotels declines to £1.1m

Profits of the Principal Hotels Group, formerly known as AC Holdings, fell from £1.46m to £1.11m pre-tax for the year to end-June.

The final dividend is being omitted leaving shareholders with 1p (2p) for the year. Earnings fell 2p to 3.3p per 5p share.

Below the line an extraordinary £6.97m (£1.68m) charge reflected costs on the disposal of Douglas Le Mare to its management earlier this year, the writing down of assets within the financial services division and provisions on non-hotel properties and reorganisation expenses.

The directors anticipated that current levels of profits would be maintained.

£1.73m profit for East Surrey Water

The first published six months' results from East Surrey Water show a pre-tax profit of £1.73m, generated from turnover of £8.31m.

Profit was struck after net interest charges of £628,000. Earnings per share were 11.8p and the interim dividend is 3p.

Rentaminster dives £0.9m into loss

Rentaminster, the Third Market company which specialises in the supply of labour to the construction and shopfitting industries, incurred a pre-tax loss of £900,774 in the year ended June 30 compared with a profit of £308,892 for the previous 13 months.

Turnover was up from £3.45m to £4.63m and there was an operating profit of £267,000 (£298,000) before exceptional items which totalled £846,000 (nil). The loss per share was 7.43p (earnings of 5.5p). There is no dividend (2p).

The company is planning a move to the USM.

Somic falls £0.05m into the red

Somic, a paper spinner and weaver, fell £56,356 into the red for the six months to end-September and is omitting the interim dividend.

The loss, which compared with previous profits of £102,821, was struck from a turnover of £1.88m (£1.78m). Tax credits of £19,725 (debits £35,987) left the loss per 25p share at 1.832p (earnings 8.342p) – shareholders received an interim dividend of 1p previously.

Continued on next page

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TO US THEY'RE THE SAME SIZE.

What might at first seem rather alarming evidence of defective vision is a guiding principle at 3i. Over the years that we have grown to be Britain's leading investment capital company we have always tried to treat everyone we meet in exactly the same way.

Whether you need £20,000 or £20 million our philosophy as successful investors in industry remains the same. That is not to say that we are inflexible; quite the reverse. At 3i we know that the best way to ensure consistent success is to produce individually tailored solutions to different problems. And as our success is ultimately based on yours, it is in our interest to do our best to help you succeed. This also means we are very happy to give a long-term commitment to your business.

And that long-term view is another reason why we think the fish are the same size. In time your minnow could become tomorrow's Leviathan but at every point in the business cycle 3i can offer you solutions.

As long-term investors in industry, 3i has the experience that can help you buy the company you work for, buy into another company or set up your own business. If you fancy sticking a toe in the water get in touch with your local 3i office.

TECHNOLOGY

Bowater's cart before its horse

IT IS not usual for a $26m (£13m) factory to open with more than $1bn worth of orders. But Bowater, the UK packaging and materials group, is in that fortunate position with its new film coating plant in Spartanburg, South Carolina.

Rexham, Bowater's US industrial films subsidiary, has signed a 10-year contract to supply coated polyester film from the plant to Dynachem, a leading electronic materials manufacturer. David Lyon, Bowater chief executive, says he cannot disclose the financial terms of the agreement, but revenues will be "well beyond $1bn" and "it definitely enhances the quality of our profits".

Bowater decided to build the factory soon after acquiring Rexham in November 1987, without lining up any customers or orders in advance, in anticipation of the need for extra capacity from an expanding electronics industry in the 1990s. "We judged that, if we built a state-of-the-art plant ahead of our customers' needs, it would be too attractive for them to ignore when it came onstream," Lyon says.

The contract with Dynachem (part of the Morton International group) vindicates that judgment. Rexham will be Dynachem's sole source of laminated film for "dry film photoresist" – used to make printed circuit boards for the electronics industry – until the year 2002. Dynachem, based near Los Angeles, is one of the world's two leading suppliers of this material.

The computer-controlled plant has been built with the high levels of cleanliness – fewer than 100 microscopic dust particles per cubic foot of air – which will be required for electronic materials, as the circuits on printed boards become finer and finer. Even a tiny impurity could lead to a shortcircuit.

An unusual feature of the plant is that it runs on the "selfmanagement" principle. The 50 staff manage their own work in teams, without foremen and supervisors. Lyon is keen eventually to introduce self-management into Bowater's UK plants.

Clive Cookson

Clive Cookson examines ICI's plans to expand into the international seeds business

Cultivating a bumper harvest

ICI has been buying agricultural seeds companies at the rate of one a year since 1985, when the UK chemicals giant made a strategic decision to go into the international seeds business. Last month's acquisition of Edward J. Funk & Sons, a US maize (corn) business, from BP brought the turnover of ICI Seeds to about $300m (£150m) a year – fourth in the world league of seed companies.

"We have now achieved our plan of five years ago to build up an integrated international seeds business from scratch," says Keith Pike, public affairs manager of ICI Seeds. "We are now in all the crops in all the parts of the world we wanted to be in."

The attraction of the seeds business is that it gives ICI another commercial opportunity to apply the group's undoubted skills in biotechnology. The long-term aim is to use genetic engineering to bypass the slow process of traditional plantbreeding and develop crops with new characteristics such as better yield and quality, controlled ripening and higher resistance to pests and disease.

Some other multinationals started to weld together a group of regional seed companies into an international business – and then changed their minds after deciding that the commercial pay-off lay too far in the future. Both BP and Shell sold seed companies last month: Shell's Nickerson International went to Limagrain of France, the world's number three seed company.

But ICI insists that it is investing in seeds for the long-term potential of the business, which will not come to full fruition until the next century. A few other international chemical and pharmaceutical companies, including Sandoz and Ciba-Geigy of Switzerland and Upjohn of the US, are taking a similar view and investing heavily in seeds.

The worldwide trade in seeds is estimated at $15bn a year. (Farmers plant an additional $15bn worth of seeds which they save from their own crops.) Maize is the most important single crop, with sales of $1.5bn a year.

Although the seeds business is similar in total size to the agrochemical industry, it is much more fragmented in structure and lower in overall profitability.

ICI will not disclose the size of its investment in seeds – though published acquisition costs exceed £200m – nor the profitability of the business, which is bundled together with ICI Agrochemicals in the group accounts. "It would be unfair to ourselves to disclose a profits figure, because we're a new business and we're having to put a lot of money into integrating the five companies we've acquired," says Pike.

If plant biotechnology lives up to its promise, the crop itself will be armed with genes to kill insects and viruses and to extract nutrition more efficiently from the soil and air. Then farmers will not need to spread nearly so many traditional agrochemicals and fertilisers on their fields. In a sense, therefore, ICI is investing in seeds as an insurance against the long-term decline of its agrochemical business.

"The shift in value from agrochemicals to seeds will not be felt until the next century," says Ed Dart, research director at ICI Seeds. "And even then it's daft to think that they're going to replace agrochemicals entirely."

ICI and its competitors in the seeds industry have already overcome the main scientific obstacles to inserting specific genes into crops. They succeeded in the early 1980s with broad-leaved plants such as tomatoes and tobacco.

And this year scientists at ICI and elsewhere have achieved a technically harder and commercially far more important target – producing fertile maize plants with functioning foreign genes. The successful technique is surprisingly direct: DNA (genetic material) is shot directly into maize cells, using a micro-gun invented at Cornell University in the US.

One type of gene that seed companies are inserting into crops confers resistance to particular herbicides. If the farmer plants herbicide-resistant maize and later sprays the field with the same herbicide it should kill all the weeds without harming the crop.

Although this ploy could be used to promote sales of a particular herbicide, Dart says that ICI Seeds makes independent commercial decisions about which herbicides to use in its genetic engineering programme and is under no pressure to work with those produced by ICI Agrochemicals.

The total quantity of herbicides applied by the world's farmers could be reduced by these developments, he says, if crops are engineered to be resistant to the new generation of herbicides which can be applied at lower dosages. "We calculate that the amount of herbicide used on maize could be reduced by 50 per cent."

Dart forecasts that seeds with single genes added will come on to the market in 1993. The first genetically engineered commercial crop may well be tomatoes that remain ripe for longer before going soft and squashy.

Cereals with resistance to herbicides, insects and viral pests will follow later in the 1990s. The speed with which they are introduced will depend as much on regulatory regime – which looks as though it will be more stringent in Europe than in the US or Japan – as on technical progress.

The beginning of the next century will see extensive modification of crops with multiple genetic effects. But, as Pike points out, "If we're going to hit the juicy targets with multigenic effects in the next century we'll have to keep up a good level of earnings in the meantime." The target is to reach the year 2000 as number two or three in the world league of seeds companies.

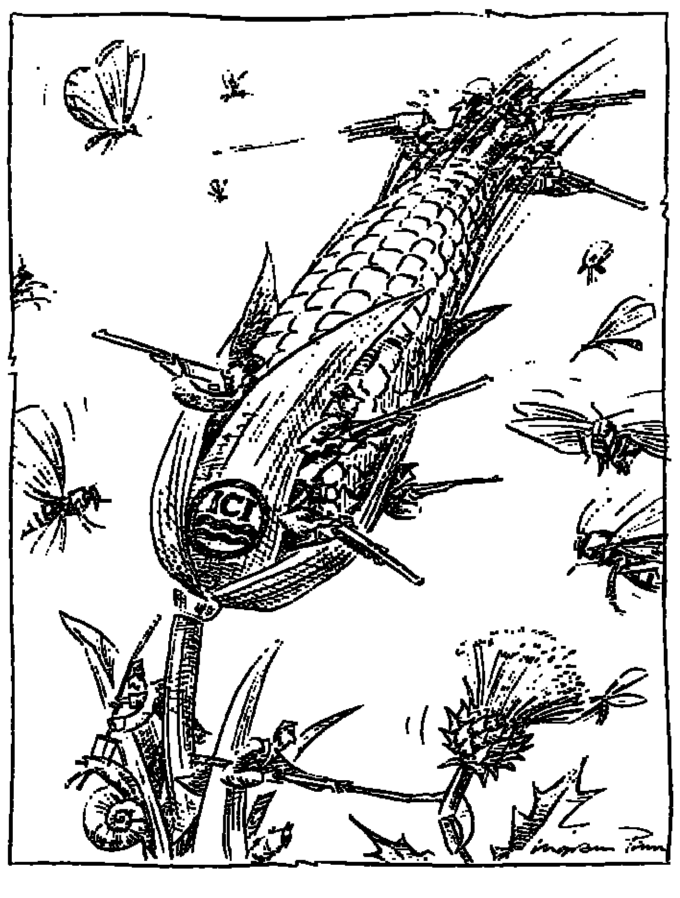
ICI Seeds operates the following regional businesses:

■ In North America, the Garst Seeds company acquired in 1985 will be combined with last month's acquisition, E.J. Funk, to produce one of the three largest corn seed businesses.

■ In continental Europe, Société Européene de Semences (SES), the Belgian sugar beet seed producer acquired in 1987, has a network of breeding stations in France, Italy, Spain, Germany and Holland. It is expanding into maize (with American varieties from Garst), cereals, soya, sunflowers and rape.

■ In the UK ICI claims to be the largest seller of agricultural seeds: cereals, grass, roots, rape and peas. The business is based on Miln Marsters and Sinclair McGill, acquired in 1988.

■ In the southern hemisphere, ICI bought the ContiSeeds businesses from Continental Grain of the US in 1989 and now operating as Pacific Seeds in Australia and ICI Seeds in Latin America. They supply sunflower, rape, cereals, maize, sorghum, soya and grass seed.



Leading International Seed Companies

Company	Nationality	1989 seed sales ($m)
Pioneer	US	840
Sandoz	Switzerland	480
Limagrain	France	360
ICI	UK	280
Upjohn	US	270
Cargill	US	240
Dekalb	US	205
Takii	Japan	200
Sakata	Japan	160
KWS	Germany	150
Ciba-Geigy	Switzerland	150

Note: Limagrain and ICI figures include sales of seed companies acquired in 1990

Source: Industry estimates

Silent cracker that breaks the mould

The ear-splitting sounds of pneumatic drills at work on building demolition could soon become a thing of the past following the development by Japanese researchers of a palm-sized "concrete-buster".

The tube-like device, which employs inch-long shape-memory alloy cylinders set within metal platens, is inserted within boreholes in the unwanted concrete, which it then silently prizes apart and shatters.

The new device can also be used to break up very dense rock types, such as granite, and could find additional applications in mining work and in vibration-sensitive environments, such as power plants and railway tunnels, where dynamite cannot be employed.

The "static rock breaker" was developed by Minoru Nishida, professor of metallurgy, and Katsuhiko Kaneko, associate professor of rock mechanics, both of Kumamoto University, in a joint research project *with specialists in rock* mechanics at the Technical Research Institute of Nishimatsu Construction near Tokyo.

Nishida began by looking for possible new applications for powerful shape-memory alloys he was studying. These alloys of titanium and nickel adopt changed dimensions at different temperatures and return to "memorised" shapes when heated.

The team compared the strain (displacement over total length) and pressure required to break concrete with the expansion characteristics of the alloys. The 29mm-long alloy cylinders used in the concrete "buster" feature a 1.3mm displacement when heated, more than enough to satisfy the 0.2 per cent strain needed to crack concrete, while the pressure exerted is a 100KN (roughly a 10-tonne force), well above the 300kg/sq cm breaking point of concrete.

Various alloy combinations have been tested for different destruction tasks, since each rock type exhibits different strain characteristics. With granite, for example, displacement is less important than power. A 50.5 per cent nickel/49.5 per cent titanium alloy achieved the required force/displacement combination for the "concrete buster" when heated to between 50 deg C and 80 deg C.

The basic operating unit looks like an open-sided pipe and consists of two long, tempered steel platens sandwiching two smaller platens, into which six shape-memory alloy cylinders are mounted vertically. The inner faces of the platens are bevelled, allowing the inner platen, carrying the six small cylinders, to slide back and forth.

Using this feature the whole unit can be pushed tightly into place when inserted into rough boreholes drilled in the concrete. When the alloy cylinders are heated they lengthen and force the platens wider apart, shattering the surrounding concrete.

Tsutomu Inaba, senior research engineer at Nishimatsu Construction, says that the new system can be handled by a single operator. A number of the rock-breakers are used in conjunction with ancillary equipment comprising a 10 kg *boring machine, a heating unit* and a compression machine.

The boring machine is used first. It is a rotary drill, using a diamond-bit which is held in place against the concrete surface by means of a vacuum pump. The machine first bores a hole. Usually five to 10 of the breaker units are positioned across the concrete surface in each operation, and the actual heating and concrete-breaking process is then completed in less than two minutes.

The compression machine is later used to squeeze the individual shape-memory cylinders back to their original dimensions, using a 30-tonne force.

Another Nishimatsu researcher, Atsuo Hirata, claims that "the apparatus is quick, cheap and quiet, something which is very important in urban areas of Japan. About 40 companies have already said they intend to use the device. These include construction firms, steel makers and mining companies".

The Nishimatsu team is still working to develop a tool which can be used to retrieve the "breaker" units which occasionally become wedged within the concrete waste, but is confident that equipment will be available soon.

Roy Garner

Continued on next page

COMMODITIES AND AGRICULTURE

US go-ahead for C$3bn Canadian gas pipeline

By Bernard Simon in Toronto

THE US Federal Energy Regulatory Commission has cleared away one of few remaining hurdles to a C$3bn (£1.3bn) project to pipe natural gas from western Canada to six states along the eastern US seaboard.

The commission yesterday gave its approval to the US portion of the proposed Iroquois Gas Transmission System, which involves a 580 km underground pipeline running from Iroquois, Ontario to Long Island, New York. In a unanimous vote, it overruled objections by domestic producers who contended that the pipeline was not needed, and that the proposed tariff structure discriminated against them.

On the Canadian side of the border, the project involves installing a new trans-continental pipeline, almost 1,600 km long with 21 compressor units and two compressor stations. The new facilities would also be used to expand gas deliveries to customers in eastern Canada.

Canada's National Energy Board is expected to approve the Canadian portion of the project within the next few months. The board gave the project's sponsors a boost last week by ruling that the costs of the new pipeline should be rolled into existing gas tariffs, rather than be borne only by new customers.

TransCanada PipeLines, Canada's biggest gas pipeline operator, has a 29 per cent stake in the Iroquois project. Its 12 partners include various US pipeline operators and utilities, such as Tennessee Gas Pipeline, Brooklyn Union Gas and Texas Eastern Transmission.

The Iroquois pipeline will supply gas to New York, New Jersey and most of New England. Its customers will include Consolidated Edison, New York State Electric & Gas Company and Long Island Lighting Company.

It is the most ambitious effort to date by the Canadian gas industry to garner a bigger share of the growing US market for natural gas. The Canadian producers, based in Alberta and British Columbia, currently have a 6 per cent share of the US market, mainly in California.

Besides a go-ahead from Canada's NEB, Iroquois also still needs another US Army Corps of Engineers certificate to build the pipeline over wetlands and rivers. Both the Canadian government and US legislators from north-east states have thrown their support behind the project.

An Iroquois official said yesterday that 40 per cent of the land required for the pipeline had so far been obtained. Construction is expected to start this winter, and the first gas is due to flow through the pipeline in November 1991 at a rate of 50m cubic feet a day. It is expected to reach its full capacity of 576m cu ft a day in late 1992.

Platinum supply forecast to overtake demand

By Kenneth Gooding, Mining Correspondent

PLATINUM SUPPLY will outpace demand this year for the first time since 1984, predicts Johnson Matthey, the world's biggest platinum marketing group, in its "interim review" of the market. However, since the review was completed in September, Japanese demand has picked up in a way which suggests the predicted surplus of 70,000 ounces might yet be absorbed, according to Mr Neil Carson, JM's general manager, marketing.

He says, nevertheless, that the review is accurate in tone because the industry is now facing a big step up in output which will more than match expected growth in demand.

JM forecast at the start of this year that platinum prices would range between US$470 and $520 a troy ounce. The price averaged $488 an ounce in the first nine months of 1990 and JM now suggests "during the next six months we would expect to see platinum trading between $400 and $475."

Mr Carson says the platinum price is unlikely to fall below that of gold and there is a "solid floor" under the price at $400 an ounce. But JM does not expect the price to go to $500 because there is a widespread perception that demand for the metal will weaken as recession spreads through some industrialised countries.

However, the review points out that demand is expected to rise this year by 3.4 per cent to 3.6m ounces, not quite matching the record 3.66m ounces reached in 1988. Demand is being driven particularly by the use of platinum in automotive pollution-control catalysts where demand this year is forecast by JM to rise by 900,000 ounces to 1.555m ounces.

Jewellery demand is forecast to rise by 45,000 ounces to 1.35m ounces even though sales of platinum jewellery in Japan, by far the largest market, are expected to grow more slowly than in recent years.

Industrial offtake is also strong, particularly in the petroleum and petrochemical sectors. Demand across the range of industrial applications is forecast to rise by 105,000 ounces from the 1989 level to 795,000 ounces.

The weak point is investment demand, which was 630,000 ounces in 1988, but has fallen for two years running and is now forecast to end 1990 at only 115,000 ounces.

On the supply side JM has adjusted its 1989 figures for South Africa and Colombia. JM points out that "with a candour unusual in the South African platinum industry," Impala Platinum Holdings recently revealed its production statistics, which resulted in an upward adjustment to JM's figures for South Africa.

The review also predicts a sharp rise in the Soviet Union's sales to the west. Soviet platinum sales are forecast to rise from 440,000 ounces in 1989 to 550,000 ounces. Mr Carson says that, while there is some concern about the possibility of the Soviet Union dumping platinum in the west in order to boost foreign-currency earnings, in the past that country had been very shrewd in the way it sold its precious metals. In any case: "If there was more platinum available I feel they would have sold it."

Total platinum supply in 1990 is now forecast to rise from 3.425m ounces last year to 3.67m ounces.

Looking further ahead, Mr Jeremy Coombes, author of the review says: "We seem to be entering a phase in which supply will grow faster than demand." He adds: "By 1995 up to 1m ounces more platinum will be required by the auto, jewellery and miscellaneous other industries. South African production is being expanded to meet this demand.

"Rustenburg, Lebowa, and Impala have all announced plans to increase output. We now have the possibility – at least on paper – of an additional 1.3m ounces by mid-decade."

However, he insists that "there is no certainty that all the expansions will materialise." As if to prove his point, Barplats has announced since the review was completed that its Kennedy's Vale platinum project in the Eastern Transvaal has been shelved.

"Platinum: 1990 interim review," free from Johnson Matthey, 78 Hatton Garden, London EC1N 8JP.

Western World Platinum Supply and Demand ('000 ounces)

	1990*	1989	1988	1987	1986	1985
Supply						
South Africa	2,830	2,620	2,580	2,520	2,350	2,340
North America	200	195	210	140	150	150
Others	60	60	50	40	40	40
Soviet sales	580	550	440	400	290	230
Total Supply	3,670	3,425	3,280	3,100	2,830	2,760
Demand						
Western Europe	660	605	545	560	470	400
Japan	1,710	1,670	1,900	1,650	1,010	1,250
North America	865	895	865	900	1,190	1,010
Others	365	270	310	180	170	170
Western sales	0	40	40	30	40	30
Total demand	3,600	3,480	3,660	3,320	2,880	2,860
Stocks change	+70	−55	−380	−220	−50	−100

* Projections. Source: Johnson Matthey

Free trade 'would raise sugar prices'

By David Blackwell

THE REMOVAL of all intervention in the world sugar market would sharply reduce price volatility, according to a World Bank report, and prices overall would probably rise.

The impact of intervention on price volatility has been both adverse and very large, says the report. There is little doubt that US, EC and Japanese policies "have separately and jointly greatly lowered world prices. At the same time they have ensured a sustained misallocation of resources in the production and consumption of sweeteners worldwide, not only imposing high costs on their own economies but those of efficient exporting countries as well."

The volatility of the market is illustrated by looking at prices in 1985 and 1974 – which show a swing between 2.8 cents a lb and 120 cents a lb. The average price over the past 35 years, in 1985 values, has been 16 cents a lb, while the average cost of production is estimated at 20 cents a lb.

The very degree of price volatility "tends to help producers in many countries to lobby for changes in policy which ultimately lead to increases in the supported output of their industries even when prices are low" – exacerbating the market's instability.

In times of high prices, world production has increased sharply, but protective policies have stopped a fall in output when prices have been low.

"This protection of expanded production causes world prices to remain depressed for some years. After a time, consumption again exceeds production, and stocks fall to a level where a large weather induced drop in production can again lead to a sharp increase in world prices."

Countries such as Thailand and Australia, which are big exporters, are most exposed to volatile prices, says the report, while in the US, the EC, Japan, the Soviet Union, India and China producers are insulated by subsidies paid for by consumers and taxpayers.

The report points out that in Japan, the US and the EC subsidies in recent years have made up more than half the income of a sugar farmer or sweetener producer.

Free trade would both reduce the incentives to lobby for intervention and result in better allocation of resources, says the report. Production would shift from the subsidised high cost producers like the US, the EC and Japan to more efficient exporting countries such as Brazil, Thailand, and Australia.

A Survey of the Costs of World Sugar Policies by Brent Borrell and Ronald C. Duncan. World Bank working paper on International Trade WPS 522.

Discussion of rubber study delayed

By Lim Siong Hoon in Kuala Lumpur

DELEGATES TO the International Natural Rubber Organisation ended their last council session for the year a day ahead of schedule on Tuesday, evidently satisfied that the market was holding up on its own. And they deferred consideration of a study of the effectiveness of the organisation's price support operation until May next year.

The study, commissioned last July, was undertaken by the British consultancy Landell Mills Commodities.

Inro said its members needed time to study the implications of the report and its recommendations, partly aimed at strengthening the management of the buffer stock.

The rubber agreement is the last international commodity pact to be operating economic clauses, so its producer members are keenly interested in ensuring its survival.

The rubber market, which has been on the slide for much of the year has recently shown signs of regaining some strength. Inro's indicator price has been rising this week after touching the "may buy" level of 176 Malaysia/Singapore cents a kilogram early this month. The five-day average price is currently at 179 cents.

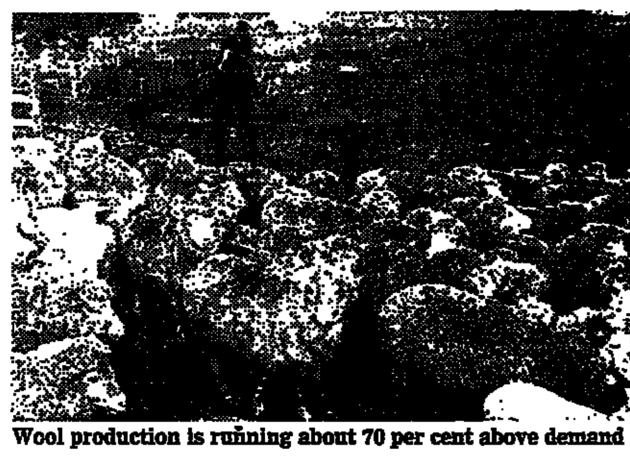
Canberra backs slaughter plan to stabilise wool prices

By Kevin Brown in Sydney

AUSTRALIA'S federal cabinet has endorsed wool industry proposals to slaughter up to 20m sheep and impose production quotas on farmers in the hope of stabilising falling prices. The proposals were tabled last week by the Wool Corporation, the statutory marketing organisation, and the Wool Council, which represents producers.

There were signs, however, that the government might opt for a more radical plan if the industry's proposals failed to stimulate international confidence in the industry.

Mr John Kerin, the primary industries minister, said the government was willing to accept the quota scheme only as a temporary response to the "exceptional circumstances" facing the industry. He had been considering a more substantial slaughtering scheme than that proposed by the industry organisations, but appears to have decided to give the quota scheme a chance to work.



Wool production is running about 70 per cent above demand

Independent commentators have called for up to 50m of Australia's 170m sheep to be slaughtered to bring production into line with demand. However, ministers are worried about the public relations impact of such a massive slaughtering scheme. Television pictures of slaughtering that has already take place – mostly of animals too old to be sold for consumption – have raised fears of a public backlash against Australian wool.

The wool industry was been hit by falling demand from China, Japan and the Soviet Union just as production reached record levels because of over-generous guaranteed prices under an intervention scheme managed by the Wool Corporation.

Mr Kerin angered farmers earlier this year by cutting the reserve price by 20 per cent to A$7 (£2.75) a kilogram and increasing the wool tax from 8 per cent to 25 per cent. The tax pays the cost of marketing, intervention and storage.

However, the Government's tough action failed to stimulate demand and the Wool Corporation has been forced to buy about 70 per cent of the wool offered for sale in the current season, increasing its stockpile to a record 4.2m bales. The market indicator, which tracks average prices, has fallen from around 870 cents in June to 703 cents, barely above the reserve price.

The quota scheme endorsed by the Cabinet would limit producers to an average level of around 75 per cent of their output in the 12 months to November 2, implying an overall cut in production from an estimated 1.012bn kg this year to a maximum of 759m kg in 1991-92. About 50m kg of the reduction could be accounted for by the sheep slaughter programme, which would cost between A$60m and A$100m, financed from the tax on producers. But the scheme will not take effect until next July, leaving the industry to stagger on for a further eight months with production running at about 70 per cent above demand.

The quota scheme may also be difficult to operate in practice since it is likely to trigger thousands of appeals to the wool corporation by farmers who believe they are being treated unfairly. The scheme seems unlikely to head off a bitter confrontation between the government and farmers over a gathering rural crisis that has provoked protest rallies in several states and prompted threats of a march on Canberra.

Mr Peter Taylor, president of the New South Wales Farmers' Association, said farmers would continue to press the government to ease its tight monetary policy, which they claim is responsible for much of their pain.

Farmers' incomes will fall by up to 50 per cent this year, and the Australian Bureau of Agricultural and Resource Economics (Abare), the independent, government-funded research organisation, says the net value of farm production will fall by between 60 and 65 per cent.

The government says 94 per cent of the forecast fall in the net value of production is due to falling world prices for wool and wheat, which has been hit by record harvests in the northern hemisphere and the effects of an export subsidy battle between the US and the European Community. Citrus farmers have also been hard hit by a fall in the world price of orange juice concentrate, and the dairy industry faces falling world prices caused by higher production.

The treasury has ruled out any attempt to help the farm sector by easing interest rates, which have been kept high in an attempt to reduce last year's A$20bn current account deficit.

Mr Kerin has announced a number of small concessions to farmers, including a review of the A$50m Rural Adjustment Scheme, which helps individual farmers to survive temporary financial problems, and increased access to welfare support.

The Government points out that many farmers are well placed to withstand the crisis – 50 per cent have no debt, and most enjoyed record incomes over the three years to 1989-90. But no-one denies that some farmers will have to leave the land.

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc prices recovered from early falls on the LME yesterday, after three-month metal traded down to $1,233 a tonne, its lowest since the special high grade contract was introduced in September 1988. Zinc's weakness continues to reflect ample physical supplies and concern over reduced demand from automobile and construction sectors as economic growth slows, dealers said. But yesterday's swift recovery could prompt further short covering. Copper ended a sluggish afternoon easier but at the day's high after an early rally on Comex. Robusta coffee prices in London closed ahead. The release of the Licht report on the 1990/91 world coffee balance – which estimated that consumption will outpace production by 6m 60-kilo bags – had no apparent impact on prices, traders said. With supply good and no new fundamentals, they foresaw no change to the current dull market sentiment. In Chicago soyabeans were mostly lower at midsession on professional and commission house selling, setting new lows to keep the chart picture bearish, traders said. The new lows mean all long positions are showing losses, which makes speculators willing sellers into rally attempts that always seem to fail.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$27.65-7.70y	-0.75
Brent Blend (dated)	$32.60-2.70	-1.00
Brent Blend (December)	$32.10-2.15	-0.825
W.T.I. (1 pm est)	$32.00-2.10	-1.175
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$310-315	-1.5
Gas Oil	$311-312	+1
Heavy Fuel Oil	$129-131	+2
Naphtha	$311-315	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$384.25	+1.00
Silver (per troy oz)♣	422c	+1
Platinum (per troy oz)	$416.5	-2
Palladium (per troy oz)	$93.15	-0.85
Aluminium (free market)	$1615	-10
Copper (US Producer)	121c	+1
Lead (US Producer)	50c	
Nickel (free market)	412c	-3
Tin (Kuala Lumpur market)	16.25r	-0.09
Tin (New York)	295c	-1
Zinc (US Prime Western)	70c	
Cattle (live weight)†	103.39p	*+0.56
Sheep (dead weight)†	139.07p	*-16.0
Pigs (live weight)†	76.62p	*+0.11
London daily sugar (raw)	$270.2q	+4.6
London daily sugar (white)	$314.5q	+2.0
Tate and Lyle export price	£246.5	+3.0
Barley (English feed)	£117.5	
Maize (US No. 3 yellow)	£160.0	
Wheat (US Dark Northern)	£81.0u	
Rubber (Dec)▼	51.25p	+0.25
Rubber (Jan)▼	51.25p	+0.25
Rubber (KL RSS No 1 Dec)	242.0m	+1.0
Coconut oil (Philippines)§	$385.0z	
Palm Oil (Malaysian)§	$330.0u	-5.0
Copra (Philippines)§	$240.0t	+2.5
Soyabeans (US)	£133.0	-2.0
Cotton "A" index	82.60c	+0.95
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Nov. w-Jan/Feb z-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	236.00	240.00	240.20	
Mar	226.80	230.00	231.00	226.60
May	225.60	228.00	228.20	224.40
Aug	227.60	230.60	229.40	228.00
Oct	227.60	229.60	229.40	227.80
Dec	226.00	229.00		
Mar	226.00	229.00	226.00	
White	**Close**	**Previous**	**High/Low**	
Dec	315.0	314.0	313.5	312.0
Mar	306.0	308.0	308.3	304.5
May	308.5	308.0	309.0	306.0
Aug	308.5	310.0	311.0	307.0
Oct	290.5		292.0	289.5
Dec	288.0			

Turnover: Raw1562 (1912) lots of 50 tonnes. White 1059 (1333)
Paris- White (FFr per tonne): Dec 1521, Mar 1521, May 1526, Aug 1550, Oct 1466.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Dec	31.40	32.77	32.90	31.40
Jan	30.20	31.37	31.85	30.20
Feb	29.20	29.75	30.30	29.20
Mar	28.25	28.60	28.90	28.25
IPE Index	32.16	32.19	32.18	32.16

Turnover: 29655 (33468)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	290.00	292.50	294.75	289.25
Jan	278.75	281.00	283.00	277.00
Feb	263.75	265.25	266.50	263.50
Mar	249.00	248.50	251.50	248.00
Apr	233.50	232.50	243.00	233.00
May	227.00		234.00	227.00
Jun	227.00		227.00	226.00

Turnover 17731 (17698) lots of 100 tonnes

WOOL

Australian measures to alleviate the wool crisis have been put to a meeting of the Wool Council. They include the slaughter of 15 to 20 million sheep from a total of 170 million, the introduction of a quota system to limit output next season, and very probably credit facilities to enable Russian purchases to be resumed early in 1991. More will be spent on International Wool Secretariat promotion. These measures will take time to have an effect on present over-supply quite apart from rising stocks. Everyone trading in wool is acting hand-to-mouth and stock losses are almost universal. Prices continue to sag.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	656	652	662	653
Mar	701	702	708	695
May	726	728	735	724
Jul	752	752	755	749
Sep	774	773	777	769
Dec	801	800	804	800
Mar	826	827	831	826

Turnover: 3879 (2907) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 13 585.37 (574.59) 10 day average for Nov 14 578.50 (577.47)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Nov	561	553	559	553
Jan	575	564	575	564
Mar	552	542	552	543
May	581	554	563	555
Jul	580	570	580	572
Sep	597	588	595	589
Nov	614	612		

Turnover: 1906 (1848) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 13: Comp. daily 68.83 (68.89). 15 day average 71.26 (71.55)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	148.9	148.3	149.4	148.4
May	169.0		168.0	167.5

Turnover 108 (27) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Feb	115.00	117.00	115.00
Apr	119.00	119.50	119.00
Jun	119.00	119.50	119.00
Aug	120.00	121.00	120.00

Turnover 165 (104) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Nov	1298		1305	1295
Dec	1300	1280	1303	1265
Jan	1255	1251	1260	1250
Apr	1220	1215	1220	
BFI	1267	1280		

Turnover 124 (98)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	115.80	116.15	116.15	115.90
Jan	119.10	119.60	119.50	119.10
Mar	122.90	123.35	123.20	122.90
May	126.30	126.60	126.45	126.30
Barley	**Close**	**Previous**	**High/Low**	
Jan	115.80	116.15	116.15	115.90
Mar	119.00	119.35	119.10	119.00
May	120.00	120.00		

Turnover: Wheat 201 (277), Barley 53 (81) Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	91.5	91.5	91.0

Turnover 5 (13) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 13,302 lots
Cash	1625-7	1627-30	1614/1612	1613-4		
3 months	1655-6	1657-8	1661/1642	1643-4	1660-1	63,671 lots
Copper, Grade A (£ per tonne)						Total daily turnover 26,373 lots
Cash	1322-4	1331-3	1326/1324	1323-4		
3 months	1323-4	1332-2.5	1329/1322	1323-4	1328-30	106,489 lots
Lead (£ per tonne)						Total daily turnover 2,433 lots
Cash	368-70	366-8	370.5/370	370-0.5		
3 months	371 5-2	371-2	373/371	372-3	371-2	11,321 lots
Nickel ($ per tonne)						Total daily turnover 2,027 lots
Cash	8825-75	9200-50	8900/8850	8850-75		
3 months	8430-50	8550-75	8500/8425	8495-500	8425-50	7,650 lots
Tin ($ per tonne)						Total daily turnover 1,311 lots
Cash	6160-70	6190-210		6160-70		
3 months	6160-70	6190-210	6180/6140	6160-65	6165-75	8,834 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,873 lots
Cash	1270-5	1271-3	1274/1270	1274-5		
3 months	1250-2	1256-8	1255/1235	1254-5	1250-2	19,738 lots

LME Closing £/$ rate:
SPOT: 1.9610 3 months: 1.9122 6 months: 1.8927 9 months: 1.8743

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384-384½	195¾-196¼
Opening	383¼-383¾	195½-196
Morning fix	383.45	195.468
Afternoon fix	383.90	195.748
Day's high	384½-385	
Day's low	383-383½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	393-398	200-203
Britannia	393-398	200-203
US Eagle	393-398	200-203
Angel	393-398	200-203
Krugerrand	383-386	195-197
New Sov.	90-92	45¾-47¼
Old Sov.	90-92	45¾-47¼
Noble Plat	421.45-428.20	214.80-218.25
Silver fix	**p/fine oz**	**US cts equiv**
Spot	213.95	420.00
3 months	221.50	428.65
6 months	227.95	436.45
12 months	241.10	453.40

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Jan	Dec	Jan
1550	96	114	6	16
1650	30	52	39	53
1750	5	18	113	118
Copper (Grade A)	**Calls**		**Puts**	
2500	121	123	11	34
2600	53	67	42	75
2700	16	31	104	138
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	38	33	11	32
600	12	16	37	65
650	3	7	78	106
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	18	75	10	25
700	2	47	44	47
750		29		79
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
3000	225	340		350
3050				
3100	250		240	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	377.6	386.0	0	0
Dec	378.5	387.0	386.4	377.0
Jan	380.4	389.0	386.5	381.0
Feb	382.1	390.7	389.9	380.5
Apr	385.6	394.2	393.4	385.0
Jun	389.4	398.0	396.2	388.8
Aug	392.9	401.5	396.0	392.0
Oct	396.6	405.3	0	0
Dec	400.4	409.1	406.3	403.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	417.6	417.6	0	0
Jan	413.9	419.8	420.1	412.0
Apr	418.4	424.3	424.4	417.0
Jul	422.4	428.3	424.7	424.7
Oct	426.8	432.7	430.0	430.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	416.8	419.7	0	0
Dec	417.5	421.2	422.0	415.5
Jan	419.5	423.2	0	0
Mar	426.4	430.2	431.0	425.0
May	432.4	438.2	437.0	432.0
Jul	438.3	442.1	442.0	436.5
Sep	444.1	448.0	0	0
Dec	452.6	456.7	458.0	454.0
Jan	454.9	459.1	0	0
Mar	461.4	465.7	462.0	462.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	116.20	117.00	117.60	116.10
Dec	115.10	115.60	116.50	116.00
Jan	114.00	114.20	114.20	114.20
Mar	111.35	111.90	112.60	111.50
Apr	110.45	110.95	0	0
May	109.35	109.60	110.20	109.60
Jun	108.45	108.90	0	0
Jul	107.55	108.00	108.20	107.70
Aug	106.65	107.10	0	0
Sep	105.95	106.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	31.80	33.12	33.40	31.55
Jan	31.30	32.17	32.30	31.00
Mar	29.00	28.62	29.70	28.90
Apr	28.15	28.47	28.45	27.85
Jun	26.42	26.77	26.70	26.30
Aug	25.30	25.72	25.65	25.20
Sep	24.75	25.33	25.25	24.75

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	8730	8827	8980	8685
Jan	8705	8801	8980	8660
Mar	8000	8151	8280	8000
Apr	7625	7728	7770	7625
Aug	6950	7056	7100	6950

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1179	1166	1188	1160
Mar	1240	1229	1249	1225
May	1280	1265	1285	1266
Jul	1318	1308	1323	1307
Sep	1353	1343	1350	1350
Dec	1390	1380	1390	1389
Mar	1430	1420	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	84.30	84.10	84.85	83.70
Mar	87.75	87.75	88.40	87.30
May	90.15	90.20	90.70	89.75
Jul	92.50	92.75	93.00	92.20
Sep	94.55	94.50	94.55	94.50
Dec	97.65	197.65	98.25	98.00
Mar	99.60	100.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.20	10.32	10.29	10.11
May	10.15	10.20	10.21	10.07
Jul	10.14	10.18	10.19	10.06
Oct	10.14	10.18	10.20	10.10
Mar	10.08	10.09	10.08	10.07

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.99	73.87	74.75	73.67
Mar	73.58	73.69	74.29	73.50
May	73.80	73.85	74.40	73.80
Jul	74.02	74.00	74.80	74.02
Oct	67.75	67.83	68.05	67.75
Mar	66.75	66.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.90	115.90	116.50	115.25
Jan	116.60	116.75	117.50	115.50
Mar	117.70	117.70	118.40	116.50
May	118.30	118.00	119.00	117.50
Jul	119.05	118.00	0	0
Sep	119.05	118.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 14	Nov 13	mnth ago	yr ago
1711.9	1699.4	1712.7	1871.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 13	Nov 12	mnth ago	yr ago
Spot	123.73	122.51	125.49	129.86
Futures	127.18	127.16	126.53	131.85

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	554/2	563/0	565/6	552/0
Jan	568/4	576/4	578/6	564/2
Mar	580/4	589/6	592/6	576/4
May	594/0	603/6	606/6	592/0
Jul	605/6	616/2	618/4	603/4
Aug	608/6	618/2	620/0	607/4
Sep	601/4	609/0	612/0	601/0
Nov	605/4	611/2	614/0	603/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.09	20.21	20.30	19.89
Jan	20.35	20.48	20.58	20.19
Mar	20.77	20.92	20.99	20.60
May	21.19	21.35	21.38	21.00
Jul	21.46	21.63	21.70	21.28
Aug	21.30	21.64	21.72	21.25
Sep	21.30	21.64	21.75	21.25
Oct	21.32	21.60	21.70	21.30
Dec	21.30	21.60	21.70	21.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	169.8	172.6	174.4	169.4
Jan	172.7	175.5	177.0	172.2
Mar	176.8	179.6	180.8	176.4
May	179.6	182.2	183.3	179.4
Jul	182.9	186.4	186.5	182.6
Aug	183.5	186.2	187.0	183.5
Sep	183.0	184.5	186.0	183.0
Oct	182.5	184.5	185.0	182.5
Dec	184.0	186.0	186.0	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	224/0	230/2	230/0	223/4
Mar	234/2	240/0	239/6	234/0
May	241/2	247/0	246/4	241/0
Jul	246/6	252/2	252/0	246/4
Sep	245/6	251/4	251/6	245/4
Dec	247/2	252/2	251/6	247/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	256/2	263/0	262/0	255/0
Mar	270/4	278/0	277/0	270/0
May	278/2	285/6	284/4	277/4
Jul	283/2	290/6	290/0	283/0
Sep	290/0	297/0	292/4	290/0
Dec	301/4	307/4	303/2	301/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.12	78.90	79.35	78.80
Feb	76.22	75.67	76.50	75.75
Apr	75.90	75.47	76.17	75.42
Jun	73.60	73.27	73.80	73.25
Aug	72.00	71.80	72.45	71.30
Oct	72.07	71.97	72.40	71.32
Dec	73.00	72.85	73.00	72.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.90	54.10	54.70	53.80
Feb	51.75	52.35	52.80	51.60
Apr	48.75	48.72	49.45	48.60
Jun	52.50	52.45	52.80	52.45
Jul	52.70	52.32	52.75	52.45
Aug	50.85	50.65	50.85	50.45
Oct	45.75	45.60	45.75	45.70
Dec	45.55	45.40	45.55	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	72.05	73.07	73.75	71.95
Mar	71.37	72.12	72.85	71.15
May	71.05	71.80	72.55	71.00
Jul	70.80	70.90	71.75	70.40
Aug	67.97	68.57	69.25	67.80

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LONDON STOCK EXCHANGE

Equities calm despite sterling's fall

THE ESCALATION in the leadership conflict inside Britain's Conservative government overshadowed trading in the UK equity market yesterday. All eyes turned to sterling as the UK currency dipped below DM2.89, virtually extinguishing hopes of any early reduction in domestic interest rates. Equity investors withdrew from the market, leaving share prices to drift easier in thin trading.

The loss on the day of 10 points on the FT-SE Index, for a final reading of 2,046, was regarded as "pretty reasonable in the political circumstances". However, "we are in for a fairly difficult few weeks, with the market hemmed in by currency and political factors", was the comment from Mr John Reynolds, equity strategist at County NatWest.

Account Dealing Dates		
*First Dealings: Nov 5	Nov 19	Dec 10
Option Declarations: Nov 15	Dec 6	Dec 27
Last Dealings: Nov 16	Dec 7	Dec 28
Account Day: Nov 26	Dec 17	Jan 7

*New-time dealings may take place from 8.30 am two business days earlier.

The market uncertainty posed by the fight over the leadership of the Conservative party will extend to a vote of the parliamentary party on Tuesday, and could continue for a further two weeks if a second ballot is required. However, equity strategists believe that UK investors will accept the political tensions calmly, and that the equity market is unlikely to fall below the 2,000 level, where support has previously been identified.

"The problem is with perceptions abroad, where Mrs Thatcher is held in fairly high regard," said one manager of international funds. There was no sign yesterday of significant selling of London equities from abroad, but analysts will be watching foreign money flows closely over the next few weeks.

The blue chip internationals looked dull throughout yesterday's session but closed only a few pence below their current levels. With the exception of slight downward moves in water industry stocks, which might face a return to public ownership under a Labour government, there was little direct indication of political nervousness in the market.

Nervousness on the corporate front was reflected in yet another round of downgradings of profits forecasts for leading companies by London-based brokers. Good profits from Boots, the high street chemist and retailer, did something to steady the retailing sector.

Third quarter trading reports from the composite insurers proved no better than expected by the market, which had already scented setbacks across the range of property risks. Oil shares, still absorbing last week's trading figures from BP and Shell, shaded lower, not helped by a renewed decline in crude oil prices in London.

The market continued to ponder over this week's developments in the telecommunications industry, but turnover in the stocks concerned was much reduced. Racal Electronics traded around the enhanced level reached in the wake of the unexpected disclosure of plans to unbundle the group. Racal Telecom, operator of the Vodaphone network, attracted little interest in the market. Shares in British Telecom and Cable and Wireless made little further response to government plans to end the duopoly in UK telecommunications.

Seaq volume remained unimpressive yesterday, with 422.9m shares traded through the electronic system, compared with 422.9m in the previous session. Statistics from the International Stock Exchange show that retail, or customer, interest in the equity market has averaged just under £700m daily in recent trading sessions, still uncomfortably below levels regarded as profitable by the London-based securities trading community.

British Airways warning

LORD KING'S warning that a "positive contribution" was not expected in the second half by British Airways was taken much further by the market. Analysts began to forecast losses of substantial amounts, heeding comments that fare increases will not recoup all the additional costs, and in particular the excessive differential between aviation fuel and crude oil. Nervousness heightened and the shares backed away to 127p before closing 7 down on the day at 131p.

The group received few accolades for surprisingly good interim profits of £320m, against £259m for the same period last year. Researchers admitted that they surpassed most estimates but stressed their concern was now over current trading. "Traffic growth will slow, and any outbreak of hostilities in the Gulf could have a further serious impact, they added."

County NatWest analyst Mr Dan White recognised the deteriorating outlook some while ago and labelled BA a sell. He maintained that stance yesterday after lowering his estimate for the full year to £215m, excluding aircraft sales, from £230m.

Boots boost

Strong interim results from Boots, particularly in its retailing division, lifted the shares 3 to 316p in active dealings. The 40 per cent rise in profits from Boots the Chemist took the market by surprise, while the increased interim dividend and confident trading statement also supported the shares.

However, the weaker sales growth in its home improvement unit and sluggish consumer demand led some brokers to lower their estimates for the full year. Hoare Govett now expects £375m, down from £385m, while Kleinwort Benson reduced its estimate by £5m to £370m.

Insurances down

A depressing batch of third quarter figures left the composite insurance sector in sombre mood. Commercial Union fell 12 to 455p, reflecting figures that came in below expectations. The drop in UK earnings was a result of an increase in property subsidence claims, as well as the continued high level of competition for non-life business.

General Accident fared even worse, recording a £73m pretax loss in the same period compared with a previous £137m profit. As well as a depressed UK sector, the company cited storm losses in Australia as one of the reasons behind the poor figures, and results for the nine months were described by the company as "very disappointing". The shares finished 8 lower at 429p.

Following the latest figures, UBS Phillips & Drew reduced its full year profits forecast for Commercial Union to £30m from £50m, while General Accident's losses for the year are now forecast to be near £100m, against £55m previously estimated. Today sees the release of third quarter figures for Royal Insurance, where a loss of around £95m is expected by the market.

International blue chips were subdued in the face of currency uncertainties prompted by the leadership contest in the Conservative party. While lower sterling benefits overseas pricing and also earnings, yesterday's dip in the pound damped chances of an early cut in UK base rates.

Most of the big name stocks moved within a few pence of overnight levels. BOC (468p) edged higher, helped by a recommendation from Goldman Sachs, the US investment bank, which told clients that the shares were now "back in buying territory". A squeeze on Reuters took the price up 24 to 652p.

Pharmaceutical stocks, depressed by weakness in both the pound and the US dollar, slipped lower. With the exception of SmithKline Beecham (559p), which steadied after the falls that greeted the trading results last week, most of the best-known names were on the downside. Particularly dull were Wellcome (450p) ahead of today's profits statement; analysts predictions range narrowly between £335m and £350m pre-tax.

Leading banks were depressed by recent downgradings, but Bank of Ireland shrugged off disappointing half-year profits and the resignation of its chief executive to finish 5 higher at 140p. The company's confidence that the second half would provide an improvement in profit levels was underpinned by an unchanged interim dividend and expectations that the final would be maintained at last year's level.

Merchant bank S.G. Warburg continued Tuesday's slide on poor interim profits, finishing 14 weaker at 289p.

Blue Circle Industries lost ground following a profits downgrading from UBS Phillips & Drew. The forecast for 1991 was revised to £160m from £185m, with declining UK cement volumes seen as one of the main reasons behind the lower figure. The share price finished 7 down at 198p.

Pilkington came under further pressure at the start of trading and lost 5 to 140p, but rallied later to 144p for a loss on the day of just a penny. Trading volume was again brisk, with 4.8m shares changing hands. Investors continue to await news of next month's interim figures.

Meyer International edged up 4 to 367p as analysts took a more positive view of the company's recovery prospects for next year.

The indignity of a profits downgrading was even imposed on Laporte, the chemical group which can usually lay claim to be the sector's favoured son. Two investment houses shaded their estimates but one of them, BZW, was quick to point out its unchanged stance on the stock.

Earnings-per-share growth is still attractive for the longer term, said BZW, and any relative weakness in the share price should be used as a buying opportunity. It blamed a further deterioration in construction chemicals for the adjustment in estimates. UBS Phillips & Drew also shaved its forecasts. Laporte shares dropped to 460p before recovering to 466p, a loss on balance of 18.

VSEL Consortium had cause to rejoice on two counts. The first and more important was the award of the third Trident submarine contract, valued at some £500m, by the Ministry of Defence. Second was the disclosure of a 36 per cent increase in mid-term profits to £16.5m and a group order book now standing at £3.5bn. VSEL shares responded with an advance of 16 to 370p.

Davy Corporation met revived selling pressure after the resignation of chief executive Mr Roger Kingdom. His departure came as no great surprise following a period of illness but the timing of the announcement, only a week before the interim figures are due, exacerbated fears that the group could report a loss after provisions. The shares closed 5 down at 68p.

Lex Service managed to improve 3 to 180p in spite of a profits downgrading by BZW. Anticipating a poor earnings performance, the investment bank reduced its current year forecast to £22m from £28m and lowered the 1991 estimate to £24m from £36m. Redeeming features, however, were the dividend payment, which BZW expected to be maintained at 15.3p net for both years, and the boost to sentiment from prospective cuts in UK interest rates.

The new nil-paid shares of Eurotunnel remained under a cloud, dropping 50 more to 118p premium; the units lost 23 to 320p. An explanation for the weakness, other than the known developments of the TML (contractors consortium) claim and request for the completion date to be extended, could not be found.

Speculation thus centred on shareholders' response to the rights issue and the market drew its own conclusion from the dramatic fall in the new shares, which opened first-time dealings on Monday at 215p premium.

Ratners dropped 12 to 171p after one broker sold 200,000 shares and on speculation that a bearish report had appeared in a US newspaper. Mr John Richards of County NatWest said an article had appeared in the US but was not negative. Instead, he believed short selling by US arbitrageurs had depressed the shares.

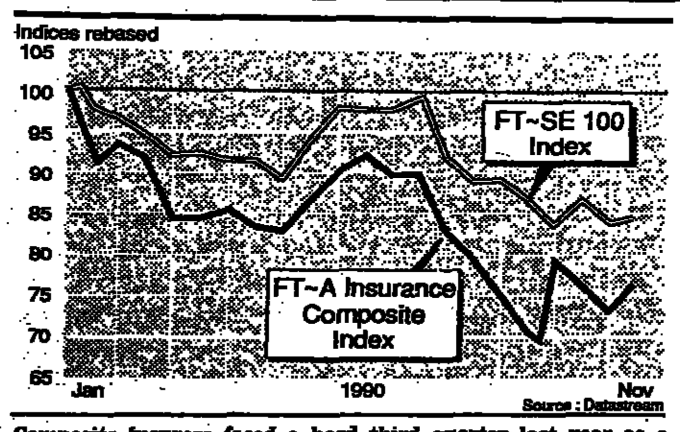
Water issues reacted nervously to the news of a leadership contest in the ruling UK Conservative party. There was concern that any damage resulting from the contest would increase the chances of a Labour government being installed at the next general election.

The fear of a return to public ownership pushed the Water Package £25 lower at one point before closing at £2255, a loss of £15 on the day.

Aspen Communications succumbed to a severe downward revision in profits expectations by Lehman Brothers. The US-based investment house lopped £2.2m from its 1990 profits estimate to £5.0m, saying a series of disappointing results has left its mark and investor confidence needs to be restored.

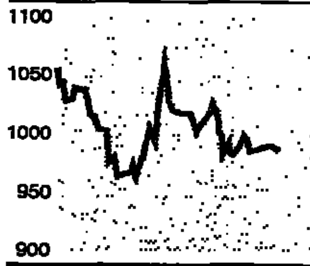
The downside should be limited but the company needs to show a steadier profits performance to improve its rating in the shorter term, continued Lehman, as the shares fell 10 to 138p.

■ Other Market statistics, including the FT-Actuaries share index, Page 30



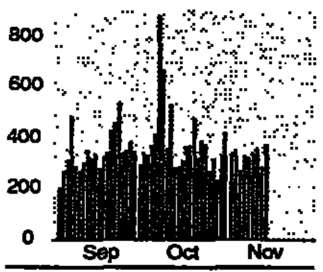
Composite insurers faced a hard third quarter last year as a result of Hurricane Hugo, with estimated insured damage of £3bn. While this year's third quarter figures may look relatively favourable in the absence of another hurricane, the long dry summer has increased the number of property subsidence claims. With the relative strength of sterling and weak equity markets shrinking balance sheets, some insurance companies could even be left with solvency margins a little on the low side, in the sense of the ratio of net assets to premium income. The recent rise in premiums should help.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (3).
BRITISH FUNDS (0) INDUSTRIALS (2) Kalon, Ramco Oil.
NEW LOWS (154).
AMERICANS (1) CANADIANS (2) BANKS (3) BREWERS (1) BUILDINGS (7) STORES (6) ELECTRICALS (10) ENGINEERING (11) FOODS (3) HOTELS (1) INDUSTRIALS (30) Abbeycrest, Alexandra Workwear, American Business Systems, Associated British Ports, Barrett (Henry), Brown & Tawse, Business Technology, Computer People, Cresta, Davies (D.Y.), Esselte, Eurocopy, Hanson, Kitty Little, Metsec, Mosaic Invs., Norfolk House, Optical & Medical, Petrocon, Polymark, RKF, Shaw (Arthur), Suter, TT, Tomkins (FH), Do. 5 6pc Cnv. Prf., Whitecroft, Wyko, Wyndham, Yale & Valor, INSURANCE (2) LEISURE (4) MOTORS (6) PAPERS (8) PROPERTY (6) SHOES (1) TEXTILES (7) TRANSPORT (10) TRUSTS (17) OILS (9) OVERSEAS TRADERS (1) MINES (6) THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	Nov 14	Nov 13	Nov 12	Nov 9	Nov 8	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.00	80.35	80.25	80 24	80.13	84.29	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.40	88.46	88 43	88.33	88 40	93.58	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1583.2	1593.6	1589.7	1582.6	1574.9	1759.4	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	161.7	162.3	163.5	166.0	166 1	290.5	378.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2046.0	2056.0	2051.9	2040.6	2036.2	2203.4	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	955.48	961.66	960.86	950.16	948.81	-	-	-	-	-
Ord Div. Yield	6.06	6 02	6.04	6.05	6.09	4.81				
Earning Yld %(full)	12.65	12.51	12.54	12.59	12.64	11.54				
P/E Ratio(Net)(☆)	9.57	9.66	9.65	9.63	9.58	10.46				
SEAQ Bargns 4.45pm	18,490	20,201	18,724	17,835	18,087	20,977				
Equity Turnover(£m)†	-	762.40	588.82	733.67	695.09	571.91				
Equity Bargains†	-	19,165	17,555	16,752	16,899	21,338				
Shares Traded (ml)†	-	385.7	292.8	352.8	343.2	275.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.41

Ordinary Share Index, Hourly changes — Day's High 1584.5 — Day's Low 1576.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1584.5	1579.2	1580.8	1581.3	1582.9	1583.2	1581.4	1582.8	1581.9

FT-SE, Hourly changes — Day's High 2047.1 — Day's Low 2038.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2047.1	2041.9	2041.4	2042.6	2045.4	2046.2	2046.0	2045.5	2044.9

FT-SE Eurotrack 100, hourly changes — Day's High 957.33 — Day's Low 952.66

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
952.66	953.37	955.22	954.67	955.51	954.96	957.26

GILT EDGED ACTIVITY

Indices*	Nov 13	Nov 12
Gilt Edged Bargains	123.8	112.0
5 – Day average	123.1	125.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	1,100	116	+2	Cookson	1,800	89		MEPC	767	487	+4	Smith & Nephew	753	104½	-½
ASDA Group	1,700	125		Courtaulds	1,100	314	-10	Manpower	0	48		SmKl Beecham	791	557	+3
Abbey National	1,300	209	-1	Dalgety	301	337	-4	Marks & Spencer	2,200	231	-3	SmKl Beecham Uts.	224	2435	+7
Allied-Lyons	1,800	472	-3	Dixons	710	137	-4	Maxwell Comms.	54	147	-1	Smiths Inds.	162	306	
Amstrad	922	63		ECC Group	546	305	+9	Midland Bank	9,500	188	-2	South West Water	272	222	-4
Anglian Water	1,400	231½	-2½	Enterprise Oil	440	612	+1	NatWest Bank	2,500	282	+2	Southern Water	878	208	-2
Argos	1,400	245	-1	FKI	1,200	48		Next	431	27	-1	Standard Chartd.	404	253	-6
Argyll Group	3,600	238	-3	Ferranti	3,100	17		North West Water	1,100	225	-5	Storehouse	291	122	-2
Ass. Brit. Foods	344	399	+4	Fisons	1,700	363	-3	Northern Foods	562	342		Sun Alliance	1,000	310	-2
BAA	362	369	+1	Gen. Accident	1,600	429	-8	Northumbrian Water	377	231	-1	Sun Life	35	1003	-7
BAT Inds	842	565	-3	General Elect.	1,800	182½	-½	Pearson	888	633	+1	T&N	1,200	148	-4
BET	2,300	170	+2	Glaxo	813	784		P & O	593	472	+3	TI Group	188	384	-2
BICC	115	326	-2	Glynwed Int.	207	191	-1	Pilkington	4,800	144	-1	TSB	640	127	-1
BOC	2,200	460	-11	Granada	721	160	-4	Prudential	1,000	201	-2	Tarmac	1,600	229	-5
BPB Inds.	858	165	+3	Grand Met.	886	556	-1	RHM	1,700	265	-10	Tate & Lyle	569	259	
BTR	1,100	290	-1	GUS A	22	1083	-5	RMC	224	582		Taylor Woodrow	377	213	+3
Bank of Scotland	1,300	104½	+½	GRE	787	185	+1	RTZ	867	419	-1	Tesco	5,600	221	-1
Barclays	2,200	346	-2	GKN	728	290	-4	Racal	10,000	188	-1	Thames Water	1,400	239	-3
Bass	330	977	-2	Guinness	744	714	-2	Racal Telecom	89	278		Thorn EMI	2,000	610	+3
Beazer	1,100	92	+1	Hammerson 'A'	388	580	+10	Rank Org.	1,000	591	-3	Trafalgar House	4,600	183	
Berisford Int.	1,100	30		Hanson	5,500	180½	+1	Reckitt & Colman	68	1233	-1	Trusthouse Forte	1,100	252	-2
Blue Circle	2,300	198	-7	Hanson Warrants	604	32½	-½	Redland	401	522	-2	Ultramar	546	325	-3
Boots	5,100	316	+3	Harrisons Crosfield	511	128	-2	Reed Intl	1,100	365	+2	Unigate	297	324	-2
Brit. Aerospace	783	523	-3	Hawker Sidd.	1,200	399	-1	Reuters	804	652	+24	Unilever	298	635	-3
British Airways	4,600	131	-7	Hillsdown	2,000	251	-2	Rolls Royce	3,900	156	+2	United Biscuits	2,600	314	-1
British Gas	3,000	214½	-3	IMI	67	193	-1	Rothmans	841	883	+3	Utd. Newspapers	202	283	
British Land	1,500	281	+5	ICI	672	880	-3	Ryl Bk Scotland	1,700	146	-7	Water Package Uts.	5	£2255	-15
BP	4,800	329	-4½	Inchcape	3,800	226	-1	Royal Insurance	1,400	373	+1	Wellcome	67	451	-6
British Steel	2,700	119½	+½	Kingfisher	1,000	368	-2	STC	1,000	315		Welsh Water	464	245	-2
British Telecom	5,600	280		Ladbroke	1,900	287	-2	Saatchi	173	38		Wessex Water	371	221	-5
Bunzl	129	58		Land Securities	1,900	521	+4	Sainsbury	1,100	295	-2	Whitbread 'A'	2,100	425	-6
Burmah Castrol	142	443	-4	Laporte	2,000	486	-18	Scottish & New	492	365	+1	Wiggins Teape	2,200	190	
Burton	1,500	67	-2	Legal & General	53	359	-1	Sears	1,500	83	+1	Williams Hldgs.	65	209	-1
Cable & Wire.	1,500	425	-6	Lloyds Abbey	1,100	312	-8	Sedgwick	885	218	+1	Willis Corroon	2,900	243	+3
Cadburys	1,700	312	+1	Lloyds Bank	3,400	270	-7	Severn Trent Water	2,300	199	-3	Wimpey	732	205	
Calor Group	183	201	-10	LASMO	324	418	-5	Shell Transport	2,100	441	-6	Yorkshire Water	1,000	284	-1
Carlton Comms.	488	322	+2	Lonrho	1,900	185	+1	Siebe	370	281	+1				
Coats Viyella	311	114		Lucas	140	121	-1	Slough Ests	174	216	-4				
Comm. Union	408	455	-12	MB Caradon	542	153	+2	Smith (W.H.) A	258	366	-4				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Credit Suisse subsidiary posts

■ CREDIT SUISSE BUCKMASTER & MOORE, a wholly-owned subsidiary of Credit Suisse, has made two appointments. Mr Angus Samuels has joined as chief executive (designate) for the existing private client and fund management businesses. He was chief executive officer of the Stock Group – part of the British and Commonwealth Group – until June this year. Mr Roger Brookhouse has also joined as chief investment officer for the recently-formed international asset management division. He was previously director, global fixed income, at Lloyds Investment Managers and managing director of Lloyds Investment Management International.

■ Mr Paul Newman has become managing director of INTERCAPITAL COMMODITY SWAPS. He was previously chief executive of Elders Securities UK and a regional executive director of the Elders Finance Group.

■ THE WELLCOME FOUNDATION has appointed Dr Tim Melton as director of product development in its group research, development and medical directorate at Beckenham, Kent. Dr Melton, who is currently with Smithkline Beecham, will join Wellcome in January.

■ Mrs Yve Newbold *(pictured)*, company secretary of Hanson, has been appointed a governor of the LONDON BUSINESS SCHOOL. She is a solicitor, a member of the Civil Service final selection board and an advisory board member of Crime Concern, a Home Office-backed organisation.

■ TM GROUP, the specialist vending company, has appointed Mr James Lancaster as its chairman. He was formerly deputy chairman and chief executive.

■ Mr Russell Glyn Davies has joined the main board of THE WYNDHAM GROUP as group financial director.

■ Mr Michael Dunk has been made a director of HIGH-POINT PROJECTS MALAYSIA SDN BHD. He was previously managing director of SLB Construction Management and a director of the SLB Group.

■ MTM, the fine chemicals intermediates group, has made Dr Peter Dewar managing director of MTM PHARMACEUTICALS. He was previously responsible for international chemical process development and production support at Glaxo's Glaxochem subsidiary.

■ Mr Christopher Savory has been appointed director of finance of the NATIONAL RIVERS AUTHORITY. He replaces Mr Peter Partridge who has retired. Mr Savory was finance director of the West Lambeth Health Authority.

■ SOREMA, the French insurance company, has appointed Mr Peter Middleton to head up its treaty underwriting. Mr Middleton joins SOREMA (UK) from Munich Re where he spent six years underwriting motor and liability business, as underwriting manager for the past three years.

■ Mr Chris Wightman has been appointed director of COUNTY NATWEST SECURITIES and head of a newly-created department within risk management called structured investment. He joins from Bankers Trust where he provided financial support to the derivatives businesses.

■ Mr Peter Edwards, currently managing director of Granada Computer Services UK, is appointed to the new position of managing director, GRANADA COMPUTER SERVICES EUROPE. Mr Edwards will combine his present UK role with responsibility for the continental European businesses of Granada Computer Services and he will also have responsibility for the central support activities of Granada Computer Services International.

■ Mr Albrecht Scholer *(pictured)* has been appointed division vice president, fleet and maintenance, at HERTZ EUROPE, relinquishing his post as general manager of the Hertz Car Leasing operation in the Asia/Pacific region, based in Australia.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9½	.....	Q28%	2.1	8.8	5.3
303	147	ANZ SA1	147	–4	44c	1.4	12.2	5.8
233	172	Abbey National 10p	209	–1	5.7	4.3	3.6	8.5
*274	128	Allied Irish Ord	138	+2	†Q40%	3.3	6.7	6.1
85	47	Anglo Irish	53	.....	†Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	61	.....	2.5	1.3	5.5	17.6
£71¼	£32½	Bancaire Cie Fr100	£44⅝	–1¼	bQ12¼%	–	2.9	–
£22⅜	£13⅝	Banco Bilbao Viz	£14¼	+⅛	Q49.1%	2.7	5.6	9.7
286	130	Bank Ireland Ir£1	140	+5	Q14.7%	2.9	9.6	4.8
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	104½	+½	†4.55	3.4	5.8	6.7
100¾	83¾	Do. 9¼pc Irrd Pf	94½	–1	9¼%	–	13.1	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	346	–2	†h19.57	3.5	7.5	4.8
22	10	Benchmark 20p	10	.....	0.75	–	10.0	–
335	238	Brown Shipley £1	249	.....	12.0	2.2	6.5	7.9
*435	285	Cater Allen £1	351	.....	N24.5	–	9.3	–
179	29	Chancery	37	.....	9.0	2.7	–	1.5
£23¾	£14	Commerzbk DM10	£14½	.....	Q18%	–	4.3	–
£13⅛	620	Dai-Ichi KBk Y50	688	+8	Q17%	6.2	0.5	32.5
*£313⅞	£189½	Deutsche Bk DM50	£197¾	–3¼	Q28%	–	2.4	–
£20⅞	£14⅝	Espirito Santo	£15⅝	.....	Q75c	5.1	2.4	8.0
253	166	First Nat. Fin. 10p	178	–1	13.0	2.1	9.7	6.1
121	82	FNFC 6.3pc Cv. Pf	90	–1	6.3%	–	9.3	–
£13⅛	633	Fuji Bank Y50	826	+62	Q17%	6.9	0.4	35.1
325	262	Gerrard & National	287	+1	19.0	–	8.8	–
154	85	Guinness Mahon 10p	86	.....	2.1	–	3.3	–
328	194	Hambros 20p	220	–1	11.5	–	7.0	–
128	88	Do 7.5pc Cv Pf	93	–1	7½%	–	10.8	–
53½	29	HK & Shang. HK$2.50	30	.....	†hQ38c	–	8.5	–
478	373	Joseph (Leo) £1	373	–5	15.85	–	5.7	–
150	105	King & Shaxson 20p	118	.....	10.25	–	11.8	–
422	262	Kleinwort Benson Grp	270	–1	16.0	2.5	7.9	6.4
642	316	Kyowa Bank Y50	395	+24	Q14%	◆	0.8	◆
316	220	Lloyds £1	270	–7	†13.3	2.6	6.6	6.3
56	44	Lon. Scot. Bank 10p	48	+1	†2.4	1.9	6.7	9.5
404	176	Midland £1	188	–2	†18.0	2.6	12.8	3.9
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	.....	Q17%	◆	0.3	◆
£12¾	£4¾	Mitsubishi Tst & Bk Y50	£5¾	+¼	Q17%	12.4	0.6	13.9
£10⅝	£4⅜	Mitsui Taiyo Kobe Y50	£6¼	+⅛	†Q16%	6.0	0.5	34.1
904	410	Mitsui Tst & Bk Y50	499	+5	Q17%	◆	0.7	◆
326	220	Nat Aust. Bk A$1	232	–3	Q55c	◆	10.0	◆
368	227	Nat West £1	262	+2	†16.7	3.3	8.5	4.8
£210	£115	Ottoman Bank	£115	.....	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	29	.....	0.5	3.2	2.5	14.5
227	119	Royal Bk. Scotland	146	–7	†7.2	3.8	6.6	5.1
795	338	Saitama Bank Y50	393	+46	◆Q14%	◆	0.7	◆
£12¼	567	Sanwa Bank Y50	692	–9	Q17%	6.7	0.5	30.3
902½	613	Schroders £1	693	.....	h12.5	5.9	2.4	9.4
712½	413	Do. £1 N/V	473	.....	h12.5	5.9	3.5	6.4
£25¼	£9¼	Sec. Pacific $10	£11¼	.....	Q$2.52	–	11.3	–
610	235	Standard Chartd. £1	253	–6	35.0	1.4	18.4	(4.7)
£16¼	£5⅝	Sumitomo Bank Y50	£6⅝	–⅛	†hQ16%	7.5	0.5	27.5
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅞	.....	Q17%	6.9	0.6	25.0
147	114	TSB	127	–1	†5.8	2.5	6.1	8.3
175	120	TSB Bank Ch'nel Is £1	120	–2	†06.7	3.5	5.6	6.0
£46⅜	£4¾	Tokai Bank Y50	£4⅞	–⅛	Q16%	4.1	0.9	34.9
920	484	Toyo Tst & Bk Y50	639	+17	hQ15.2%	6.9	0.5	28.6
611	499	Union Discount £1	561	.....	33.0	–	7.8	–
525	286	Warburg (S.G.)	289	–14	15.0	3.0	7.0	6.4
180	99	Do 6pc Cnv Prf	99	–3	6%	–	8.1	–
279	147	Westpac SA1	155	+1	Q52.5c	1.5	14.6	4.5
420	303	Wintrust 20p	305	.....	17.8	4.2	3.4	8.4
969	509	Yasuda Tst & Bk Y50	620	+4	Q17%	◆	0.6	◆

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Price at time of suspension

Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.

Merger bid or reorganisation in progress

Not comparable

Same interim, reduced final and/or reduced earnings indicated

§ Forecast dividend, cover on earnings updated by latest interim statement

Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend

Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.

No par value

B.Fr. Belgian Francs. Fr. French Francs. Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 ... y	700	.....
Finlay Pkg. 5p ... y	30	.....
Holt (Jos) 25p ... y	1305	.....

IRISH

Cap. 9¾% Ln. 1992	£90¾	.....
9pc Cap Ln. 1996	£95¾	.....
Fin. 13% 97/02	£110½	.....
Arnotts	170	.....
Carrol (P.J.)	154	.....
Helton Hldgs ... y	51	.....
IRG	153¼	.....
United Drug	133	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¾
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
P.H.M.	29
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
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Property

Brit. Land	24
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Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	39 45	39 45	42 19	+0 19	6 49
Gilts & Fixed Int	6	106 7	106 7	113 10	-0 2	10 17
High Inc Equity	6	111 6	111 6	119 3	-1 0	5 32
Worldwide Bond	6	187.5	187.5	198 7	-0 1	7.55
Capital Growth						
American Growth	6	147 40	147 4	157 6	-0 1	1.21
Asian Pacific	6	94 31	96.35	102 5	+2.9	0 12
Assets & Earnings	6	137 6	137.6	147 1	-0 8	3 19
Capital Reserve Acc	0	98 87	98.87	98.94	-0 08	7.22
Capital Reserve Inc	0	83 10	83 10	83.16	-0.06	7 22
Comdty & Energy	6	72.34	72.34	77 36	-0 91	1.32
1992 Enterprise	6	53 07	53 07	56 75	-0 23	3 44
Euro Capital Acc	6	83.54	83 54	89 34	-0 95	1.11
Euro Capital Inc	6	80 21	80 21	85.78	-0.54	1.11
General	6	144 3	144.3	154.30	-1 1	3 24
Japan	6	85 32	85.32	91.25	-0.2	0 00
Mastertrust	6	74 85	74 86	80.06	-0.32	2.11
UK Growth Acc	6	134 2	134 2	143.5	-0.4	2 87
UK Growth Dist	6	86 79	86 79	92.82	-0.28	2.87
US Emerging Cos	6	39 70	39 70	42.45	-0 03	0.00
Income & Growth	6	248 1	248 1	265.3	-2 2	3 86
Ethical	6	39.71	40 85	43.45	-0.24	2.30
International	6	50 47	51 19	54.45	-0 21	0 92
Dividend & Growth	6	39 76	40 84	43 44	-0 21	5.18
Global Grth & Sec	6	46 71	46 88	49.97	+0.14	2 00

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	24 47	24 47	25.97	-0 06	3 04
Cash	-	50 09	50 09	50 09	+0 02	14 03
European	5¼	68.52	68.52	72.76	-0.38	0 00
European Income	5¼	71 15	71.15	75.36	-0 29	1 64
Exempt	1	655 1	655.1	674.8	-4 1	3 46
Exempt Income	3¼	153 6	153 6	162.4	-1.9	9 22
Exempt American	3¼	293.5	293 5	309 3	+0 6	1 85
Exempt Pacific	3¼	185 6	185 6	193.3	-0.5	0 00
Extra Income	5¼	34 81	34 81	37 16	-0.11	6 68
Far East Emerg Econs	5¼	39.12	39 20	41.98	-0 08	0 00
Fund Inv Tst	5	97.67	97 67	104 2	-0 47	1 66
Fund Inv Tst Acc	5	154.3	154.3	164 7	-0.7	1 74
Gilt & Fixed Int	5¼	15 65	15 80	16 87	..	11.79
Japan	5¼	140 4	141.7	149 1	-1.3	0.00

Brown Shipley & Co Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth	6	22.74	22 74	24 22	+0 07	0 28
Monthly Income	6	46 11	46 11	49 60	-0 04	5 04
North American	6	49.68	49 68	52 91	+0.83	0 41
Orient	6	89 78	89 78	95 62	+0.26	–
Recovery	6	32 97	32 97	35 11	-0 40	1 76
Smaller Cos Acc	6	171 8	171 8	184 7	-0 20	–
Smaller Cos Inc	6	103 8	103 8	111 6	-0 10	3 21

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	157.3	157 3	163 2		7 23

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	43 01	43 01	45 59	-0 04	5 30
(Accum Units)	5¼	45 14	45 14	47 85	-0 05	5 30
Fellowship Tst ♥	5¼	48 33	49.18	52.32	-0 24	4 43
(Accum Units) ♥	5¼	51 33	52 24	55 58	-0.25	4 43
General Inc	5¼	233 2	233 2	247 2	-1.3	4 39
(Accum Units)	5¼	406 0	406 0	430 4	-1 9	4.39
Income	5¼	131.5	131 5	139 4	-0 8	5 77
(Accum Units)	5¼	272.9	272.9	289.3	-1 7	5 77
International ♥	5¼	83 68	83 68	88 70	-0.36	0 60
(Accum Units) ♥	5¼	115 6	115 6	122.5	-0 6	0 60
Smaller Co s	5¼	78 73	78 73	83 45	-0.44	3.22
(Accum Units)	5¼	88.22	88 22	93 51	-0.49	3 22
Inv Portfolio ♥	3	43 24	43 24	44 75	-0.31	3 70
(Accum Units) ♥	3	45 96	45 96	47 57	-0.33	3 70
High Income Port ♥	3	38 89	38 89	40 25	-0 31	6 18

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	59 90	59 90	60.76	+0 01	2.79

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

هكذا من الأصل

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Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Amer Expt Nov 13	37.2	38.6	......	2.81
Euro Expt Nov 13	47.9	50.2	......	2.39
Fixed Int Ex Nov 13	44.1	45.2	......	10.54
Japan Expt Nov 13	40.4	42.1	......	0.87
Managed Ex Nov 14	36.5	37.9	−0.7	5.48
SE Asia Expt Nov 13	54.3	56.9	......	4.79
Sm Cos Expt Nov 13	28.0	29.4	......	5.29
UK Eqty Ex Nov 13	35.2	36.9	......	5.46

American Life Insurance Co UK

2-8 Altyre Road, Croydon CR9 2LA 081-680 6000

Life Funds (Accumulation Units)

	Bid Price	Offer Price	+ or −	Yield Gross
Premier Managed(z)	135.4	142.7	+1.0	−
Alpha Managed(z)	85.1	89.7	+0.6	−
HICA Managed(z)	83.7	88.0	−0.1	−

Pension Funds (Accumulation Units)

	Bid Price	Offer Price	+ or −	Yield Gross
Premier Managed(z)	162.1	170.8	+1.1	−
Alpha Managed(z)	92.7	97.7	+0.7	−

Avon Insurance Plc

Tiddington Rd, Stratford-upon-Avon CV37 0789 204211

	Bid Price	Offer Price	+ or −	Yield Gross
Bonus Fund	70.00	71.43	......	−

The Life Association of Scotland

113 Dundas St, Edinburgh EH3 5EB 031-550 5000

LAS Investment Assurance

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	211.3	222.5	−0.7	−
UK Equity	360.0	379.0	−2.4	−
Property	274.3	288.8		−
Money Market	202.4	213.1		−
Fixed Interest	224.3	236.2	−0.7	−
Japan	276.5	291.1	+0.5	−
North America	87.5	92.2	+0.4	−
International	165.4	174.2	−0.5	−
European	162.1	170.7	−0.8	−
Far East	74.0	77.9	−0.3	−

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	Bid Price	Offer Price	+ or –	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	299.8	315.6	–1.3	–
UK Equity	372.4	392.1	–2.7	–
Overseas Eq	285.8	300.9	–1.3	–
Americas	210.4	221.5	+0.1	–
Far East	300.2	316.1	–0.2	–
Property	191.9	202.0	+0.1	–
Fixed Int.	233.0	245.3	–0.9	–
Indexed Gilt	147.3	155.1	+0.4	–
Deposit	172.3	181.4	+0.1	–
Pension Fund (Accum Units)				
Managed	414.2	436.0	–1.8	–
UK Equity	473.1	498.1	–3.4	–
Overseas Eq	470.4	495.2	–1.6	–
Americas	277.4	292.0	–0.4	–
Far East	499.5	525.8	–0.9	–
Property	238.1	250.7	....	–
Fixed Int.	283.1	298.0	–0.9	–
Indexed Gilt	161.9	170.5	+0.5	–
Deposit	237.0	249.5	....	–
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4	....	–
Prices Nov 1 Next dealing Dec 3				
Norwich Union Asset Management Ltd				
PO Box 140, Norwich NR3 1PP 0603 686787				
NUAM Funds				
Managed Fund	60.3	63.4	–0.3	–
Stock Market Mngd Fund	56.6	59.5	–0.4	–
Equity Fund	64.1	67.4	–0.5	–
International Fund	50.3	52.9	–0.2	–
European Fund	61.4	64.6	–0.4	–
North American Fund	48.4	50.9	....	–
Pacific Fund	50.5	53.2	–0.1	–
Property Fund	86.7	91.2	....	–
Fixed Interest Fund	52.6	55.4	–0.3	–
Index linked Sec Fund	59.8	62.9	+0.2	–
Deposit Fund	66.1	69.6	....	–
NUAM Retirement Plans				
Mixed Fund	65.4	68.9	–0.4	–
UK Ordinary Share Fd	73.9	77.8	–0.6	–
International Fund	54.7	57.6	–0.3	–
Property Fund	84.0	88.4	....	–
Fixed Interest Fund	62.9	66.2	–0.3	–
Index Linked Sec Fund	63.2	66.5	+0.3	–
Deposit Fund	76.8	80.8	....	–
NUAM (MF)				
Managed Fund	854.6	899.6	–4.1	–
Equity Fund	1771.3	1864.6	–10.7	–
International Fund	132.7	139.7	–0.7	–
Property Fund	548.5	577.4	+0.1	–
Fixed Interest Fund	394.6	415.4	–2.0	–
Index Linked Sec Fund	60.9	64.2	+0.3	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or –	Yield Gross
Sun Alliance International Life				
PO Box 77, New St, St Peter Port, Guernsey 0481 714108				
North American Equity $	$7.70	8.29	....	–
Pacific Equity $	$7.38	7.95	....	–
Intl Currency $	$4.28	4.57	....	–
Intl Bond Fund $	$6.94	7.47	....	–
Gilt Fund £	£3.97	4.28	....	–
US Dollar Mngd Fd $	$1.58	1.70	....	–
Stg Managed Fd £	£0.98	1.05	....	–
Target International Group				
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751				
Sterling Pens Plan	£0.69	0.75	....	–
US Dollar Pens Plan	$0.71	0.77	....	–
Yen Pens Plan	Y236	252	....	–
Ecu Pens Plan	Ecu0.62	0.67	....	–
Sterling Man Fd	£0.95	1.01	....	–
Sterling Fixed Int Fd	£1.55	1.64	....	–
US Dollar Man Fd	$1.15	1.22	....	–
US Dollar Fixed Int Fd	$1.41	1.49	....	–
Ecu Bond Fd	Ecu1.07	1.14	....	–
Davenport Chdwck £ Fd	£0.77	0.84	....	–
Davenport Chdwck $ Fd	$0.48	0.53	....	–
Davenport Chad £ F.I	£1.07	1.16	....	–
LWI Universal Stg Mgd	£0.77	0.79	....	–
LWI Universal $ Mngd	$0.63	0.65	....	–
Matheson £ Pens	£0.74	0.79	....	–
Matheson $ Pens	$0.80	0.85	....	–
EDN MIBI £	£0.84	0.91	....	–
EDN MIBI $	$0.94	1.02	....	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Dashrust Management (Guernsey) Ltd				
Dashrust Limited	DK211.1	216.3	+0.5	—
Fipart-Consell Fund Mngrs (Guernsey) Ltd				
Amerivth G & B Fd	SFr7.76	7.80	----	2.26
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3508	0.3732	-0.011	13.13
Govett Far East Inv	$0.891	0.952	-0.089	—
Energy & Resources	$0.669	0.715	-0.007	—
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$9.1695	9.7528	----	—
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stg High Inc	£9.974	10.528	----	10.09
Intl Inv-Intl High Inc	$48.988	51.572	----	5.54
Henderson Admin. (Guernsey)				
[illegible]	£0.908	—		—
Balanced Gwth $ Prtflo	$1.822	1.967	+0.023	—
Balanced Gwth £ Prtflo	£1.041	1.118	+0.009	—
Select Mkts $ Prtflo	$1.845	1.995	+0.012	—
Inc & Gwth $ Prtflo	$1.682	1.779	+0.003	—
High Income £ Prtflo	£0.600	0.650	----	—
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	62.47	66.81	-0.51	2.99
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int.Ac.Bd.Acc*	£8.608	9.066	----	—
KB Japan Fund	$208.85		----	—
KB Sterling Asset	£29.37	29.37	----	—
*Offer price inclusive of maximum preliminary charge.				
Kleinwort Benson Islamic Fd Mngmt Ltd				
Islamic Fund	$5.75	6.15	----	0.40
Lazard Fund Managers (CI) Ltd				
Lazard Cap. Gwth Bond	$996.06	2998.50	----	7.9
Lazard Cur Acc Fd £	£18.74	18.75	----	15.6
Lazard Cur Acc Fd US$	$14.66	14.67	----	7.1
Lazard Cur Acc Fd Y	Y3,810	3,820	----	6.9
Lazard Cur Acc Fd DM	DM51.40	51.41	----	7.3
Lazard Cur Acc Fd SF	SF37.09	37.10	----	7.1
Lazard Cur Acc Fd FF	FFr158.29	158.30	----	8.75
Lazard Cur Acc Fd Man	$15.64	16.43	----	—

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital House Fund Mgrs—Contd.						
Bonds						
Sterling Bond	5	£1.384	1.384	1.460	----	—
International Bond	5	$1.834	1.834	1.934	[illegible]	—
Currencies						
£ Sterling	0	£24.77	24.77		+0.01	14.18
US$	0	$18.89	18.89		----	6.55
Japanese Yen	0	Y3,599	3,599		----	6.92
D Marks	0	[illegible]	58.04		----	6.84
Swiss Francs	0	[illegible]	51.03		----	6.34
Fr Francs	0	[illegible]	228.0		----	8.15
Ecu's	0	[illegible]	27.12		----	8.46
Managed						
Intl Portfolio	5	$1.671	1.671	1.773	----	—
Managed Currency	5	$2.093	2.093	2.203	[illegible]	—
Gartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St., Jersey 0534 27535						
American Fd		$	1.402		[illegible]	—
Canadian Fd		C$	0.7801		[illegible]	1.00
British Fund		£	2.218		[illegible]	5.00
European Fund		DM	5.197		[illegible]	—
Eastern European		DM	4.425		[illegible]	—
Asia Pacific Fd		$	1.918		[illegible]	—
Japan Fund		Y	592.1		-3.6	—
Australasian Fd		A$	0.3062		[illegible]	1.00
Global Resources		$	0.7291		[illegible]	0.70
Emerging Mkts Fd		$	.9761		[illegible]	0.50
Int Growth Fund		$	2.733		[illegible]	0.20
Sterling Bond Fd		£	1.017		----	10.32
ECU Bond Fund		Ecu	0.9636		[illegible]	9.04
Int Bond Fund		$	1.268		[illegible]	6.65
Global Conv Bd Fd		$	17.46		[illegible]	1.48
US$ Deposit Fd		$	1.051		----	6.89
Sterling Deposit Fd		£	1.031		[illegible]	12.96
French Franc Dep Fd		FFr	10.65		----	8.72
Swiss Fr Dep.		SFr	5.273		[illegible]	6.73
DM Deposit Fd		DM	5.249		[illegible]	7.09
Yen Deposit Fd		Y	529.1		+0.5	6.90
Aust Dlr Deposit Fd		A$	1.096		[illegible]	11.46
John Govett (Channel Islands) Ltd (1000)F						

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Political fears hit sterling

Political factors were behind a further weakening of sterling yesterday. The pound lost ground in the Far East on the threat to Mrs Margaret Thatcher's position as UK prime minister, following the attack on her by Sir Geoffrey Howe, her former deputy prime minister. It therefore came as little surprise when Mr Michael Heseltine, a former defence secretary, announced his decision to challenge for the Conservative leadership.

Fears that a leadership battle will cause electoral harm to the government put further pressure on the pound against its partners in the European Monetary System. Sterling remained at the bottom of the EMS exchange rate mechanism, and by the end of the day showed a significant weakening against all other members.

Interest rate factors also weighed on the British currency. Mr John Major, chancellor of the exchequer, told parliament in London that interest rates will not be cut until he is satisfied that it is safe to do so, but he also admitted that the UK economy is probably in recession. Set against this was speculation that the German Bundesbank will raise interest rates again, although dealers in Frankfurt do not consider an increase is likely at today's Bundesbank council meeting.

In Amsterdam the Dutch Central Bank responded to a slight weakening of the guilder against the D-Mark by increasing its money market intervention rate for special advances to 8.30 from 8.20 per cent.

At the London close the pound had fallen to DM2.8875 from DM2.9075, leaving the D-Mark about 1.75 per cent above its central rate against sterling, compared with 1.42 per cent on Tuesday. There was some releaf however from a general easing of the peseta. The Spanish currency was only 3.94 per cent above its sterling central rate, against 4.28 per cent previously. This meant that despite its overall weakness the pound's effective floor against the D-Mark had fallen to about DM2.83 from DM2.85.

Sterling also lost 30 points to $1.9615, while declining to FFr9.735 from FFr9.7775; to SFr2.4450 from SFr2.4600; and to Y254.25 from Y254.50. Its index fell to 93.7 from 93.9.

Speculation that US monetary policy may have been eased at Tuesday's meeting of the Federal Open Market Committee led to a further decline of the dollar. It finished in London at a record closing low of DM1.4715 compared with DM1.4800 previously. The dollar also fell to FFr4.9625 from FFr4.9775 and to SFr1.2460 from SFr1.2525, but rose to Y129.60 from Y129.55. Its index was unchanged at 60.1.

Technical factors pushed the Federal funds rate up to 8½ per cent in New York, well above the assumed target level, and it was therefore impossible to put any accurate interpretation on the Fed's action to add liquidity, via overnight system repurchase agreements.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.385	-2.43	3.94	43
Irish Punt	0.767417	0.764516	-0.38	1.80	18
D-Mark	2.05586	2.04900	-0.33	1.75	23
Belgian Franc	42.4032	42.2974	-0.25	1.67	13
Dutch Guilder	2.31643	2.31163	-0.21	1.62	11
French Franc	6.89509	6.90701	0.17	1.24	-8
Danish Krone	7.84195	7.86638	0.31	1.10	-13
Italian Lira	1538.24	1543.10	0.32	1.09	-15
Sterling	0.696904	0.706759	1.41	0.00	-27

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times

£ IN NEW YORK

Nov 14	Latest	Previous Close
£ Spot	1.9590-1.9600	1.9600-1.9610
1 month	1.04-1.02pm	1.06-1.05pm
3 months	2.86-2.83pm	2.73-2.70pm
12 months	8.48-8.38pm	8.10-8.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.14	Previous
8.30 am	93.7	93.8
9.00 am	93.7	93.8
10.00 am	93.8	93.9
11.00 am	93.7	94.0
Noon	93.9	94.0
1.00 pm	93.9	94.0
2.00 pm	93.7	94.0
3.00 pm	93.6	94.0
4.00 pm	93.7	93.9

CURRENCY MOVEMENTS

Nov 14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.7	-18.4
U S Dollar	60.1	-18.9
Canadian Dollar	100.8	-0.5
Austrian Schilling	110.7	+12.4
Belgian Franc	112.5	-1.6
Danish Krone	111.6	+5.8
Deutsche Mark	120.7	+26.1
Swiss Franc	116.0	+24.1
Guilder	115.9	+17.0
French Franc	106.1	-10.8
Lira	100.1	-19.3
Yen	133.9	+69.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov 13.

CURRENCY RATES

Nov 14	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.736550	0.706759
U S Dollar	7	1.44791	1.38737
Canadian $	12.82	1.68768	1.61684
Austrian Sch	6½	15.0670	14.4148
Belgian Franc	10¼	44.1794	42.2974
Danish Krone	10½	8.19589	7.86638
D-Mark	6.00	2.14117	2.04900
Dutch Guilder	7.25	2.41656	2.31163
French Franc	10¼	7.19901	6.90701
Italian Lira	12½	1610.48	1543.10
Japanese Yen	6	186.201	179.734
Norway Krone	8	8.35734	8.01760
Spanish Peseta	–	135.458	130.385
Swedish Krona	11	8.02504	7.69642
Swiss Franc	6.00	1.81061	1.73490
Greek Drach	20½	N/A	210.589
Irish Punt	–	N/A	0.764516

† European Commission Calculations.
* All SDR rates are for Nov 13

OTHER CURRENCIES

Nov 14	£	$
Argentina	10526.2 - 10551.2	5370.00 - 5380.00
Australia	2.5415 - 2.5435	1.2960 - 1.2970
Brazil	231.105 - 232.210	117.90 - 118.40
Finland	6.9425 - 6.9565	3.5470 - 3.5500
Greece	294.90 - 299.60	150.45 - 152.90
Hong Kong	15.2585 - 15.2725	7.7910 - 7.7930
Iran	125.50*	63.55*
Korea(Sth)	1387.45 - 1409.80	711.70 - 717.30
Kuwait	N/A	N/A
Luxembourg	59.55 - 59.65	30.35 - 30.45
Malaysia	5.2760 - 5.2890	2.6975 - 2.6995
Mexico	5741.70 - 5743.95	2929.00 - 2939.00
N Zealand	3.2090 - 3.2140	1.6360 - 1.6380
Saudi Ar.	7.3215 - 7.3485	3.7490 - 3.7510
Singapore	3.3505 - 3.3990	1.7115 - 1.7135
S Af (Cm)	4.9430 - 4.9560	2.5275 - 2.5290
S Af (Fn)	7.0555 - 7.1850	3.5970 - 3.6630
Taiwan	53.45 - 53.55	27.25 - 27.30
U.A.E.	7.1710 - 7.1975	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Nov 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9560 - 1.9650	1.9610 - 1.9620	1.05-1.03cpm	6.36	2.85-2.82pm	5.78
Canada	2.2830 - 2.2910	2.2830 - 2.2840	0.40-0.31cpm	1.87	0.99-0.85pm	1.61
Netherlands	3.25 - 3.27¼	3.25 - 3.26	1⅛-1½pm	5.76	4-3⅝pm	4.84
Belgium	59.40 - 59.95	59.55 - 59.65	31-25cpm	5.64	74-64pm	4.63
Denmark	11.06¾ - 11.14¼	11.09¾ - 11.10¾	4¼-3¾orepm	4.26	10-8½pm	3.33
Ireland	1.0775 - 1.0810	1.0775 - 1.0785	0.25-0.30ppm	3.06	0.68-0.78pm	2.71
Germany	2.88¾ - 2.90½	2.88½ - 2.89	1½-1⅜pfpm	5.97	3⅞-3¼pm	4.59
Portugal	253.80 - 255.85	253.85 - 253.95	22-44cdis	-1.56	96-157dis	-1.99

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.92-4.87cpm. 12 Month 8.38-8.28cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Nov.14	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.
S Fr.	0.409	0.802	1.181	104.0	3.982	1	2.512	3.344	2234	0.934	24.38
N Fl.	0.307	0.602	0.887	78.10	2.991	0.751	1	668.2	0.701	18.31
Lira	0.460	0.902	1.327	116.9	4.476	1.124	1.497	1000.	1.050	27.40
C $	0.438	0.859	1.265	111.3	4.264	1.071	1.426	952.7	1	26.11
B Fr.	1.678	3.290	4.844	426.5	16.33	4.102	5.461	3649	3.831	100

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth	3-mth	6-mth	12-mth
1.9615	1.9511	1.9332	1.9126	1.8782

IMM-STERLING $s per £

	Latest	High	Low	Prev
Dec	1.9504	1.9546	1.9500	1.9526
Mar	1.9264	1.9290	1.9254	1.9284
Jun	-	-	-	1.9090

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Irish Bank	14	Duncan Lawrie	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Equatorial Bank plc	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Exeter Trust Ltd	14½	Roxburghe Guarantee	14½
Associates Cap Corp	14	Financial & Gen. Bank	14	Royal Bk of Scotland	14
● B & C Merchant Bank	14	First National Bank Plc	14	Royal Trust Bank	14
Bank of Baroda	14	● Robert Fleming & Co	14	● Smith & Williamson Secs	14
Banco Bilbao Vizcaya	14	Robert Fraser & Ptnrs	14½	Standard Chartered	14
Bank Credit & Comm	14	Girobank	14	TSB	14
Bank of Cyprus	14	● Guinness Mahon	14	Unibank plc	14
Bank of Ireland	14	HFC Bank plc	14	● United Bk of Kuwait	14
Bank of India	14	● Hambros Bank	14	United Mizrahi Bank	14
Bank of Scotland	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Heritable & Gen Inv Bnk	14	Western Trust	14
Barclays Bank	14	● Hill Samuel	14	Westpac Banking Corp	14
Benchmark Bank	14	C. Hoare & Co	14	Whiteaway Laidlaw	14½
Brit Bk of Mid East	14	Hongkong & Shanghai	14	Yorkshire Bank	14
● Brown Shipley	14	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
Clydesdale Bank	14	Nat Bk. of Kuwait	14		
Comm.Bk.of London Plc	14				
Co-operative Bank	*14				

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MONEY MARKETS

London rates firm

WHOLESALE INTEREST rates firmed and prices of sterling financial futures weakened in London, following the attack in parliament on the British prime minister by Sir Geoffrey Howe, her former deputy.

Three-month sterling interbank rose to 13⅞-13¹³⁄₁₆ from 13¹³⁄₁₆-13¹¹⁄₁₆ per cent and 12-money firmed to 12¹³⁄₁₆-12¹¹⁄₁₆ from 12¹¹⁄₁₆-12⅝ per cent. December short sterling futures opened 10 basis points lower at 86.69 on Liffe, but showed little immediate reaction to news during the morning that Mr Michael Heseltine is to contest the Conservative party leadership.

UK clearing bank base lending rate 14 per cent from October 8, 1990

The contract drifted down to 86.67 before lunch, later falling through technical support at 86.66 as the pound came under pressure. It touched a low of 86.59 before closing at 86.62 compared with 86.79 previously.

A moderate money market credit shortage of £450m was initially forecast by the Bank of England. This was revised to £500m in the afternoon and once again the authorities kept the short end tight by not operating in the market until after lunch and giving help of only £381m.

In the afternoon the Bank of England bought £361m bills outright, by way of £200m bank bills in band 1 at 13²⁹⁄₃₂-13⅞ per cent; £135m Treasury bills in band 2 at 13¾ per cent; and £26m bank bills in band 2 at 13¾ per cent. Late assistance of around £20m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £227m, with exchequer transactions absorbing £20m, a rise in the note circulation £90m and bank balances below target £115m.

In Frankfurt call money was steady at 8.15 per cent as dealers regarded any change in official rates as unlikely at today's Bundesbank council meeting. The market view was that the central bank has achieved its goal of adjusting the rate structure to prevent banks borrowing more cheaply under their Lombard facilities than on the open market. The Lombard rate was increased to 8.50 from 8.00 per cent at the beginning of this month.

At this week's securities repurchase agreement tender the Bundesbank provided 35-day money at a fixed 8.00 per cent, with 63-day funds commanding rates of 8.40-8.60 per cent. Bids totalling DM20.7bn were accepted at the tender, against expiring pacts of DM24.9bn, draining a net DM4.2bn from the market.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 14) 3 months US dollars		6 months US Dollars	
bid 7¹⁵⁄₁₆	offer 8¹⁄₁₆	bid 7⅞	offer 8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	6.80	Three year	7.71
Broker loan rate	9¼	Two month	7.14	Four year	7.89
Fed.funds	8½	Three month	7.31	Five year	8.01
Fed.funds at intervention	-	Six month	7.39	Seven year	8.26
		One year	7.35	10-year	8.39
		Two year	7.60	30-year	8.54

Nov 14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.10-8.20	8.20-8.35	8.60-8.75	8.65-8.80	8.80-8.95	8.50
Paris	9⅝-9¾	9¾-9⅞	9¹⁵⁄₁₆-10⅛	9¹⁵⁄₁₆-10⅛	10⅛-10¼	9.50
Zurich	7⅜-7⅝	8-8⅛	-	8⅜-8½	-	-
Amsterdam	8.18-8.25	8.43-8.53	-	8.80-8.88	-	-
Tokyo	7¹³⁄₁₆-7¹⁵⁄₁₆	8⅛-8¼	-	8⅛-8¼	-	-
Milan	10½-10½	12⅞-13	-	12¼-12⅜	-	-
Brussels	8.30	8¾-8⅞	-	9⅛-9⅜	-	-
Dublin	10¼-10¼	10¼-10½	10⁷⁄₁₆-10⁹⁄₁₆	10½-10⅝	10⅝-10¾	-

LONDON MONEY RATES

Nov 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14⅛	14⅛	13⅞	13⅛	12¹³⁄₁₆
Interbank Bid	13½	14⅛	14⅛	13¾	13⅛	12⅝
Sterling CDs	–	–	14¹⁄₁₆	13¹³⁄₁₆	13⅜	12⅝
Local Authority Deps.	14⅛	14⅛	14⅛	13¹¹⁄₁₆	13⅛	12¹¹⁄₁₆
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps.	14⅛	13⅛	13¹³⁄₁₆	13⅛	–	–
Company Deposits	–	–	14⅛	13⅞	13⅜	12¾
Finance House Deposits	–	–	14⅛	13⅞	13⅞	12⅞
Treasury Bills (Buy)	–	–	13¹³⁄₁₆	13⅞	–	–
Bank Bills (Buy)	–	–	13¹³⁄₁₆	13¹³⁄₁₆	12⅜	–
Fine Trade Bills (Buy)	–	–	14⅛	14⅜	13⅛	–
Dollar CDs	–	–	7.85	8.00	7.90	7.90
SDR Linked Dep. Offer	–	–	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	–	–	8¾	8¹³⁄₁₆	8¹³⁄₁₆	9
ECU Linked Dep. Offer	–	–	9¹³⁄₁₆	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	–	–	9¹¹⁄₁₆	10	10	10⅛

Treasury Bills (sell); one-month 13¹¹⁄₁₆ per cent, three months 13⅜ per cent; six months 12⅞ per cent; Bank Bills (sell), one-month 13⅛ per cent; three months 13⁵⁄₁₆ per cent. Treasury Bills: Average tender rate of discount 13.0552 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26 1990 to Dec 25, 1990. Scheme I: 15.08 p.c., Schemes II & III 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990. Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent, one-three months 12 per cent, three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent. Under £100,000 10½ per cent from Dec 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

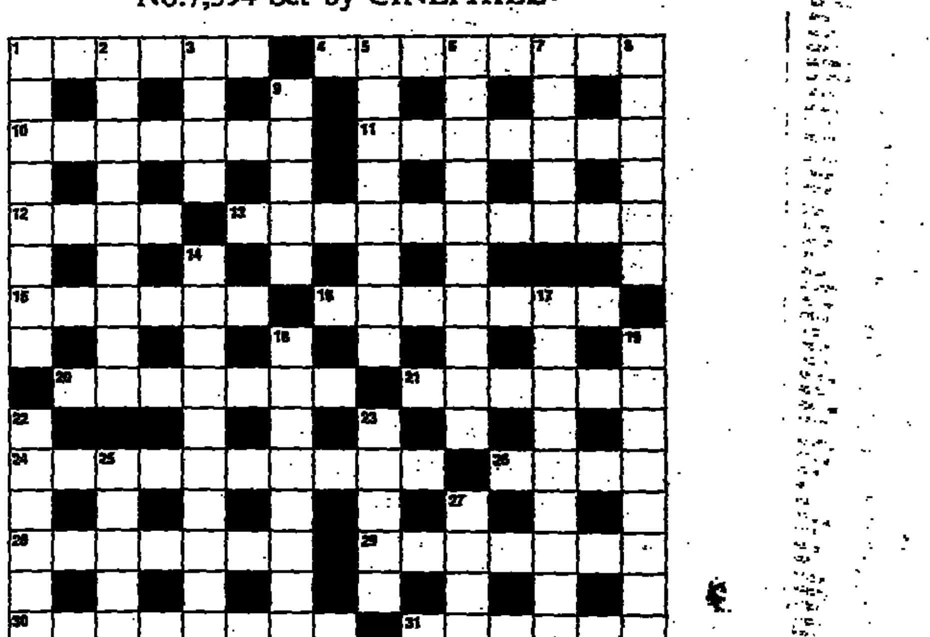
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,394 Set by CINEPHILE



Many solutions, and others referred to, are spending more time with their families.

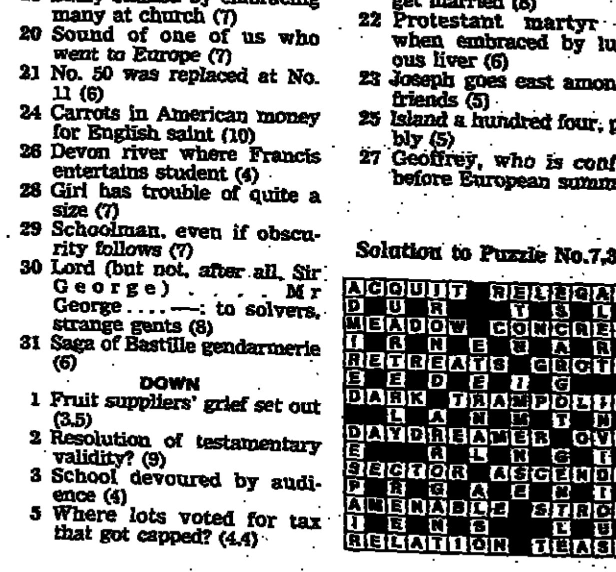
ACROSS

1 Bird man – infer bird (6)
4 European regulation for a lord (8)
10 During fascination with lost article I find a baronet (7)
11 Multiple attachment left after pole is stuck into fruit (7)
12 European part in capital punishment (4)
13 Agreement to put twisted lip in Meccano set (10)
15 She was inclined to wade in (6)
16 Badly stained by embracing many at church (7)
20 Sound of one of us who went to Europe (7)
21 No. 50 was replaced at No. 11 (6)
24 Carrots in American money for English saint (10)
26 Devon river where Francis entertains student (4)
28 Girl has trouble of quite a size (7)
29 Schoolman, even if obscurity follows (7)
30 Lord (but not, after all, Sir George) ... : Mr George ...: to solvers, strange gents (8)
31 Saga of Bastille gendarmerie (6)

DOWN

1 Fruit suppliers' grief set out (5,5)
2 Resolution of testamentary validity? (8)
3 School devoured by audience (4)
5 Where lots voted for tax that got capped? (4,4)
6 PM, not dear to Mr Mitterrand, doesn't change: there's no alternative (4,3,4)
7 Railway to the north is material (5)
8 Pedestrian Peter (6)
9 Previous member of monastery (3)
14 Generous effect of sun on colouring (10)
17 Let's turn in a German poet called Michael (9)
18 Places for male French capitalist? (8)
19 Lively article after which I get married (8)
22 Protestant martyr died when embraced by luxurious liver (6)
23 Joseph goes east among old friends (5)
25 Island a hundred four, possibly (5)
27 Geoffrey, who is confused before European summit (4)

Solution to Puzzle No.7,393



WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
2pm prices November 14

[illegible]

f–No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Nov. 13	Nov. 12	Nov. 9	Nov. 8	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2535.40	2540.35	2488.61	2443.81	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.67	89.59	89.30	89.34	93.04 (3/1)	88.44 (24/9)	—	—
Transport	867.79	866.68	833.39	827.66	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.07	212.09	210.32	209.13	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2559.90 (2550.99) Low 2512.38 (2490.10)

STANDARD AND POOR'S

	Nov. 13	Nov. 12	Nov. 9	Nov. 8	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	317.66	319.48	313.74	307.61	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	371.69	373.35	367.11	359.72	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.24	22.21	21.19	20.65	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	173.31	174.07	171.17	168.14	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	295.56	294.78	291.03	289.07	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	352.80	351.46	341.95	336.37	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 8	Nov. 2	Oct.26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.08	4.17	3.94

	Nov. 7	Oct.31	Oct.24	year ago (approx.)
S & P Industrial div. yield	3.55	3.54	3.42	2.97
S & P Indl. P/E ratio	14.48	14.43	14.86	14.25

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Alcan Alum	8,200,800	17⅜	- ⅛
Phillip Morris	3,013,300	48½	- ⅝
Fannie Mae	2,883,300	32¾	+ ⅞
Am Express	2,169,900	22½	+ ⅝
IBM	2,124,600	112	- 1
Gen Electric	1,909,800	55½	+ ½
Pepsico	1,765,200	25¼	+ ¼
Limited Inc	1,585,400	15⅛	+ ⅛
Citicorp	1,443,700	13⅛	+ ¼
Wal-Mart Stores	1,311,400	29½	+ ⅝

TRADING ACTIVITY

† Volume Millions	Nov. 13	Nov. 12	Nov. 9
New York	160.240	161.390	146.113
Amex	9.721	10.980	10.678
NASDAQ	123.367	119.297	113.554
Issues Traded	2,009	1,972	1,987
Rises	815	1,157	1,113
Falls	729	381	434
Unchanged	465	434	440
New Highs	21	14	11
New Lows	40	38	64

CANADA

TORONTO	Nov. 13	Nov. 12	Nov. 9	Nov. 8	1990 HIGH	1990 LOW
Metals & Minerals	2593.85	2587.88	2523.81	2486.60	3453.05 (4/1)	2486.60 (8/11)
Composite	3135.08	3119.97	3077.42	3060.55	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	*1682.58*	*1670.41*	*1634.31*	*1621.36*	*2060.90 (3/1)*	*1607.24 (16/10)*

Base values of all indices are 100 except NYSE All Common–50; Standard and Poor's–10; and Toronto Composite and Metals–1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 14	Nov. 13	Nov. 12	Nov. 9	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1345.2	1348.8	1335.6	1328.8	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	641.9	643.9	639.1	637.2	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	445.24	453.95	445.26	437.42	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5106.24	5140.75	5127.80	5114.82	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	336.26	339.08	343.49	338.22	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	405.3	408.0	410.4	411.0	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	424.92	426.51	420.26	419.81	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1599.13	1610.13	1597.34	1572.83	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	609.41	616.98	613.04	603.48	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1730.1	1753.1	1741.9	1712.0	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1406.23	1402.91	1402.24	1381.49	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3006.82	2998.97	2949.56	2952.92	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1218.09	1208.89	1208.39	1224.51	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	528.62	532.40	529.38	532.97	763.52 (14/6)	520.62 (14/11)
JAPAN						
Nikkei (16/5/49)	23957.44	23973.67	(c)	22931.80	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1778.30	1773.02	(c)	1707.44	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3150.30	3129.79	(c)	3085.23	4477.16 (16/7)	2899.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	472.85	472.20	469.45	468.05	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	226.7	227.7	228.6	226.1	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	166.2	166.9	167.6	165.9	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	693.54	706.95	706.65	709.10	915.13 (2/8)	693.54 (14/11)
PHILIPPINES						
Manila Comp (2/1/85)	614.50	610.11	594.52	595.01	1168.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	311.35	310.87	307.28	305.32	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1315.0	1323.0	1355.0	1382.0	2230.0 (16/1)	1315.0 (14/11)
JSE Industrial (28/9/78)	2730.0	2713.0	2718.0	2710.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	704.89	710.06	701.53	703.81	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	230.73	231.78	231.50	(u)	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	862.5	874.7	859.3	850.2	1329.9 (5/7)	850.2 (9/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	645.3	647.4	646.8	640.4	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	525.6	527.8	525.2	520.8	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3850.27	3739.05	(c)	3472.53	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	652.13	659.37	661.83	662.55	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	461.9*	464.5	458.6	453.7	571.8 (4/1)	423.1 (28/9)

**Saturday November 10: Taiwan Weighted Price: 3502.82 Korea Comp Ex. 697.59
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 14 November 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	9.7m	2,890	-50	Kurabo Inds	5.4m	1,300	+110
Hazama Gumi	7.9m	1,300	-30	N'masu Cnstrn	4.7m	1,370	-40
Tokyu Cnstrn	7.4m	1,220	0	Nippon Steel	4.3m	405	-8
Dwa Kaho Lease	7.0m	1,740	+70	Mizuno	4.3m	1,810	+20
JDC Group	6.8m	1,110	+30	Takeda Chml	4.0m	1,750	+10

3pm prices November 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37 1/8	9 1/2	AAR	.48	4.4	7	735	11	10 5/8	10 7/8	
9 1/4	7 3/4	ACM n	1.01	12.		242	8 5/8	8 1/4	8 1/2	+ 1/8
11 1/2	8 1/4	ACMIn	1.26	13.		1174	10 1/8	10	10	
9 1/4	6 1/2	ACM M	n1.01	16.		590	7 1/8	6 7/8	6 7/8	- 1/8
12 1/8	10	ACMMM	1.50	13.		282	11 5/8	11 1/2	11 5/8	+ 1/4
11 1/2	8 5/8	ACM Sc	1.26	13.		2942	9 3/4	9 1/2	9 5/8	+ 1/8
9 3/8	7 1/4	ACMSp	1.01	12.		421	8 1/2	8 1/4	8 3/8	+ 1/8
24 5/8	15 7/8	AL Lab	.16	.7	18	234	21 7/8	21 1/2	21 7/8	+ 1/8
5 3/8	1	AM Intl				379	1 5/8	1 1/2	1 5/8	- 1/8
21 1/8	4 5/8	AM In pf	2	28.		105	8 1/4	7 1/4	7 1/4	- 1 1/8
72 1/4	39 3/4	AMR			15	7389	49 3/8	48 1/4	49 1/8	+ 3/4
72 3/8	38 1/4	ASA	3	7.5		732	41 7/8	40	40 1/8	- 1 3/8
45 5/8	31 1/8	AbtLab	s.84	2.0	20	7116	42 7/8	41 5/8	42 3/8	+ 1/2
14	10 7/8	Abitibi	g.50			24	11 1/4	11 1/8	11 1/4	
11 5/8	4 5/8	AcmeC	.40	6.7	7	10	6	6	6	+ 1/8
8 3/8	5	AcmeE	.32	6.0	9	17	5 3/8	5 1/4	5 3/8	+ 1/8
32 1/4	18 7/8	Acuson	s		20	888	25 1/4	24 1/4	24 7/8	+ 1/8
16 7/8	14 1/8	AdaEx	1.72e	12.		128	14 1/2	14 1/4	14 1/2	
15 1/8	10 1/4	Adobe				91	11 3/4	11 1/2	11 3/4	+ 1/8
20 1/4	16 1/2	Adob pf	1.84	11.		10	17 1/8	17 1/8	17 1/8	+ 1/8
21 5/8	19 1/4	Adob pf	2.40	12.		3	20 1/8	20 1/8	20 1/8	
11 3/8	3 5/8	AMD				2753	4 7/8	4 1/2	4 3/4	+ 1/8
32 3/8	13	AMD pf	3	18.		13	17	16 3/4	16 3/4	
9 1/4	1 5/8	Advest	.16	6.7		300	2 1/2	2 1/4	2 3/8	+ 1/4
62	29	AetnLf	2.76	7.3	9	5757	37 7/8	36 7/8	37 7/8	+ 1/4
12 1/2	6 1/4	AflilPb	.24	3.3		191	7 1/4	7 1/8	7 1/4	
22 1/2	10 5/8	Ahmans	.88	6.2	6	5495	14 3/8	13 7/8	14 1/8	- 1/8
3 5/8	1 7/8	Aileen			8	1	3 1/8	3 1/8	3 1/8	- 1/8
61	42 7/8	AirPro	1.44	2.8	12	1763	51 7/8	51	51 1/2	+ 3/8
27	13 1/2	AirFrt	s.30	1.7	9	278	17 3/4	17 5/8	17 3/4	+ 1/8
24 1/2	11 1/4	Airgas			16	81	12 1/2	11 7/8	12 1/2	+ 1/2
20 3/8	13 1/8	Airlease	2.52	17.	7	22	15 1/2	15	15	- 1/4
10 1/4	9	AlaP dpf	.87	9.1		2	9 5/8	9 5/8	9 5/8	- 1/8
26	13 7/8	AlskAir	.20	1.2	9	70	16 3/4	16 1/2	16 3/4	+ 1/8
19 7/8	8	Albnyln	.35	3.5	13	50	10 1/4	10	10 1/4	
27 7/8	19 1/8	Alberto	s.20	.8	19	211	25 1/8	24 7/8	25	
22 1/4	15 5/8	AlCulA	s.20	1.1	14	368	18 3/8	18 1/4	18 1/8	
37 5/8	24 3/8	Albtsn	s.48	1.5	21	572	32 7/8	32 1/2	32 3/4	+ 1/8
24 1/2	16 5/8	Alcan	1.12	6.4	8	6223	17 5/8	17 3/8	17 3/8	+ 1/8
37 7/8	27 5/8	AlcoSid	.84	2.5	13	771	33 1/4	32 1/2	33 1/4	+ 5/8
34	16 1/8	AlexAlx	1	4.4	19	1890	22 5/8	21 7/8	22 5/8	+ 1/4

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- X - Y - Z -								
60½	29	Xerox	3	8.8	6	3523	34½	33⅞	34¼	+ ⅛
32⅝	13⅛	XTRA	.72	5.3		70	13¾	d13⅜	13⅝	- ⅛
25	12⅞	XTRA pf	1.94	15.		71	13½	13	13¼	- ¼
4	⅝	Zapata				193	13-16	¾	¾	
9⅛	3	Zemex				9	3⅛	3⅛	3⅛	- ⅛
13¾	4	ZenithE				308	6¾	6¼	6⅛	- ⅛
19⅛	9⅞	ZenNtl	.88	8.2	7	11	10⅞	10⅝	10⅝	
8	4½	Zenix	.93	19.		140	4⅞	4⅝	4⅞	+ ⅛
17½	9⅞	Zero	.40	3.6	12	84	11⅛	10⅞	11	+ ⅛
51⅛	29⅞	Zurnin	.88	2.6	15	113	34¼	33⅛	34¼	+1
12⅝	10⅛	Zweig	1.18e	11.		386	10¾	10½	10⅝	
10	7⅞	ZweigTl	.84	9.9		721	8⅝	8½	8½	- ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PrcCom			91	½	½	½	+ ⅛
ProMed	.46	10	4	4⅞	4⅝	4⅞	+ ⅛
ProfCre			46	6¼	6⅛	5¾	
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices November 14

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WlvEx pf			29	15⅞	d15⅛	15¼	- ⅞
Worthg	.60	15	323	20½	20⅛	20⅛	+ ⅛
Wyman	.60		244	8	7½	7¾	- ⅛
- X - Y - Z -							
XL Dta		5	1829	8¼	7½	8⅛	+ ⅛
XOMA			1797	17	16½	17	+ ½
Xilinx			1538	14	13½	14	+ ¼
YanEnS	1.52	16	168	19½	18¾	19½	+ ½
YelowF	.94	26	670	23⅝	22¼	23½	+ ½
YorkRs		12	234	9⅛	9	9½	+ ⅛
Zeos		16	137	14½	13½	14	+ ¾
ZionBc	1.44	7	3	28¾	28¾	28¾	- ¾

FINANCIAL TIMES Thursday November 15 1990

AMERICA

Falling oil price offsets disappointment with Fed

Wall Street

FURTHER falls in oil prices offset disappointment at the lack of an easing in monetary policy by the Federal Reserve to leave share prices mostly higher in subdued trading yesterday morning, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was 22.7 higher at 2,558.17 on moderate volume. The Standard & Poor's 500 posted a rise of 1.43 at 319.10 by 1 pm, while away from the big board the American SE composite was up 1.01 at 296.57. On the New York Mercantile Exchange, December crude oil was down $1.02 cents at $32.10.

The market remains confident that the Fed will ease monetary policy soon, but is unsure about the timing of the move. Technical factors in the Fed funds market yesterday prevented the Fed from sending a clear sign of easing, and analysts believe that the authorities might put off any change in policy until after the latest consumer prices data are released on Friday.

Yesterday's retail sales data, for the month of October, failed to stir much interest. The 0.1 per cent increase was in line with expectations. Analysts noted that, if the rise in petrol station takings was excluded, retail sales in the month actually fell by 0.1 per cent, providing further proof of the slowdown in the economy.

Once again financial stocks were actively traded before the anticipated interest rate cut. American Express moved ahead early, before lunchtime profit-taking took hold and the shares dropped back to $22⅝, down $¼ on the session. Citicorp put on $⅜ to $14⅛ on volume of more than 1m shares in the wake of comments from Mr John Reed, chairman, that the bank would not be cutting jobs in its European operations.

Among the market's leading issues, IBM gained $1⅞ to $113⅞ on reports suggesting that the stock was due for a sustained recovery. Philip Morris recovered from Tuesday's concern over sluggish cigarette sales, rising $⅛ to $48⅞.

Ford rose $⅝ to $29 after announcing a 7.5 per cent improvement in car sales in the first 10 days of November, compared with the same period a year ago. USX climbed $⅞ to $32⅝ after Mr Carl Icahn, the corporate raider who holds a sizeable stake in USX, once again rattled his drum in the fight to restructure the steel group. MCA shot up $4¾ to $66⅞ on hopes that the terms of its acquisition by the Japanese giant, Matsushita, would be agreed shortly.

Baker Hughes dropped $1¼ to $26¼ on news of unexciting fourth-quarter profits. The American Depositary Receipts of LM Ericsson Telephone, the US subsidiary of the Swedish telecommunications group, dropped $2 to $37¼ in busy trading after a London-based analyst at Merrill Lynch, the US broking house, downgraded the parent group's stock from a short-term "buy" to a "hold" and lowered his 1991 and 1992 earnings forecasts.

Canada

THE REBOUND on Wall Street failed to lift spirits in Toronto, where share prices extended their opening losses. Gold shares fell after bullion prices dropped in New York.

The composite index lost 14.0 to 3,121.1 on volume of 11.2m shares. Declines led advances by 222 to 169.

Hees International Bancorp dropped C$⅞ to C$16⅝ after reporting a rise in nine-month earnings; the shares had jumped more than C$3 since the beginning of the month.

Athens tumbles as tone of optimism fades

Kerin Hope reports on the ups and recently precipitous downs of Greek share prices

SUCCESSFUL traders on the Athens Stock Exchange are recognisable by their barrel-chested physique and the sort of dramatic gesture usually associated with opera singers.

Trading on the small floor in Sophocleous Street is by open outcry, but conditions have grown so crowded that resilient vocal chords and a flair for attracting attention are essential for getting through the day's business.

Six new brokerages have joined the 30 individual Greek stockbrokers in the past year and applications are pending from another 19 securities houses.

The Stock Exchange council will soon have to decide whether spectators should be banished from the hall to make room for a second trading ring.

Such feverish activity was the result of a record surge in share prices between January and mid-July. After starting the year at 460, the Athens general index climbed steadily to peak at 1,684 in July.

Then came a summer holiday lull, followed by the Gulf crisis and the failure of Athens' bid to stage the 1996 Olympic Games. The index had receded to 972 by the end of October. Daily volume has sunk from Dr5bn ($33m) to less than Dr3bn.

On Monday the index plunged 7.2 per cent in a single day to close at 752.14. It has recovered since then, however, finishing at 819.93 yesterday, up 4.8 per cent on the day and 9 per cent since Monday, although the index remains more than 50 per cent below its July peak.

Greek analysts agree that most stocks were substantially overvalued in what they call "the casino days of spring", when expectations were high that the newly elected Conservative government would solve the country's economic problems at record speed. At that point, not even price/earnings

ratios of 40 and above could deter buyers.

The correction of the past few months, they say, reflects a growing realisation that it will take several years to reduce the huge public sector deficit and a 22 per cent inflation rate to acceptable levels.

Mr Spyros Kritikopoulos, head of research at Michael Kyranis and Associates, says: "Investors' concern now is focused less on the price of oil and war anxieties than what the Greek budget for 1991 will contain."

Foreign institutional investors started moving out of the Athens market in midsummer. Their holdings have dropped from an estimated 30 per cent of total capitalisation six months ago to about 15 per cent.

Yet total capitalisation, which began the year at $6.8bn and reached $19.5bn in July, has remained high. It was estimated at $15.7bn at the end of last month.

This is partly attributable to this year's rush by local companies to seek listings, together with a legal requirement that banks acting as underwriters must support the issue price during the first six months of trading.

A total of 21 companies floated share issues between March and October, compared with four for the whole of 1989. The new arrivals, which were all heavily oversubscribed, have added to a market where fewer than 100 stocks were previously actively traded.

However, the parallel market for small companies, launched early this year, has drawn only four listings: one metallurgical concern and three textile companies.

Continuing high interest rates, which put the cost of borrowing at around 33 per cent when special loan taxes are counted in, have helped Greek company owners overcome their traditional hostility to going public.

Tight family control, however, is still exercised, with owners so far showing marked reluctance to make available more than 25 per cent of an issue, the minimum public offering requirement. Even now, only about one quarter of Greece's leading companies are listed on the bourse.

ASIA PACIFIC

Nikkei ends easier after short stay above 24,000

Tokyo

EQUITIES retreated on profit-taking yesterday after passing the 24,000 level briefly for the first time in six trading days. The Nikkei average ended slightly lower on balance after cutting its morning losses, *writes Emiko Terazono in Tokyo.*

Morning profit-taking, triggered by a dip on Wall Street, a lower yen and higher oil prices, pushed the Nikkei to a day's low of 23,629.52. A later rebound on futures and index-linked buying helped the average rise to 24,045.83 before it closed a net 36.23 down at 23,937.44.

Volume remained sluggish and was down to 350m shares from 400m, with the market still dealer-led. Losses finally led gains by 493 to 458, with 134 issues unchanged. The Topix index of all first section stocks shed just 2.72 to 1,770.30 and, in London, the ISE/Nikkei 50 index managed a slight gain of 1.92 at 1,324.11.

Most institutional investors remained reluctant to participate in the cash markets, and activity was concentrated in futures and options. Mr Graham Biggart at Schroder Securities commented: "People felt that the previous gains were overdone. Everyone felt comfortable with the market falling back a little."

Big interest rate-sensitive companies reacted to the Bank of Japan's absorption of funds in the domestic money markets, causing interest rates to firm. Steels, electricals and power utilities lost ground. Kawasaki Steel fell Y13 to Y415 and Nippon Steel Y8 to Y727. Other international blue chips declined on profit-taking, with Sony down Y250 at Y5,930 and TDK Y60 lower at Y4,700. Hitachi, Toshiba, and Pioneer Electronic also weakened.

Saitama Bank and Kyowa Bank, which on Tuesday announced a merger from next April 1, both ended at Y1,000, with Saitama gaining Y80 and Kyowa losing Y40 from the previous day. The two issues attracted demand at the opening of the session.

Constructions, strong for the past few weeks, were losers yesterday, with Nishimatsu Construction down Y40 at Y1,370 and Hazama Gumi Y30 off at Y1,300. The sector was hurt by a newspaper report that leading contractors Kumagai Gumi, Toda Construction and Fujita would be posting stock losses. Kumagai Gumi, whose stock loss is estimated at about Y5bn for the half year ending September 30, fell Y29 to Y850. Toda and Fujita also weakened.

Electrical engineers rose, with Tohoku Electrical Construction hitting a year's high in the morning and ending at Y3,360, up Y160. The company announced a 33 per cent increase in pre-tax profits.

Retailers advanced in anticipation of the end-of-year gift-giving season in Japan. Jusco went up Y50 to Y1,590 and Ito-Yokado rose Y110 to Y3,720.

Makers of video games were popular. Sega Enterprises climbed Y600 to Y13,900 on sales of its 16-bit home video game, and Nintendo, favoured because of its brisk advance orders for new home video game hardware, rose Y700 to Y24,900 in Osaka.

In Osaka, the OSE average added 193.15 at 27,572.88 as regional issues drew buying. Trading volume was also up, from 30.4m shares to 37m.

Roundup

REGIONAL markets mostly declined in quiet trading, with only Taiwan and the Philippines keeping the previous day's rally going.

AUSTRALIA eased in mostly thin trading, as News Corp and Adsteam suffered renewed selling pressure. The All-Ordinaries index slipped 3.6 to 1,345.2 in turnover of A$176m, boosted by a large business in S.A. Brewing, which saw 14.23m shares traded and rose 7 cents to A$2.37.

News Corp weakened 8 cents to A$6.84 and Adsteam lost 4 cents to 56 cents. Tooth and Co, an Adsteam associate, fell 15 cents to 80 cents after the sale of its Penfolds wine business to S.A. Brewing this week.

Westpac gained 4 cents to A$3.97 before its results.

NEW ZEALAND was led lower by stocks that are also listed in Australia, after a rise in the New Zealand dollar against the Australian currency. The Barclays index shed 16.60, or 1.3 per cent, to 1,274.19, a six-year low. Turnover shrank to NZ$7.5m from NZ$12m.

HONG KONG ended above the 3,000 resistance level on the Hang Seng index, but below the day's best. The index closed at 3,006.82, up 7.85, after trading worth HK$1.07bn, against Tuesday's HK$1.06bn.

Sun Hung Kai Properties advanced 60 cents to HK$14.50 on talk that it would pull out of the cable-TV franchise.

TAIWAN rose another 3 per cent on optimism about the Gulf and lower oil prices, after the previous day's 6.7 per cent jump. The weighted index added 111.22 at 3,850.27 in turnover of T$69.1bn (T$40.7bn).

MANILA also gained further ground on hopes that war in the Middle East was not imminent and continued speculation that Philippine National Bank would pay a big dividend. The bank's shares moved ahead 9.50 pesos to 252.50 pesos, while the composite index put on 4.39 to 614.50.

BANGKOK declined as investors took profits in reaction to rising interest rates and fears of political instability. The SET index receded 7.24 to 652.13.

KUALA LUMPUR was mixed, the composite index edging up 0.65 to 472.85. Conplant, which could receive an extraordinary gain of M$159m from a proposed land sale to Sime-UEP Properties, rose another 6 cents to M$2.17.

EUROPE

Milan closes account with surprise decline

DOMESTIC political or corporate preoccupations pushed the Gulf crisis into the background yesterday, *writes Our Markets Staff.*

MILAN tumbled, the Comit index dropping 11.78, or 2.2 per cent to 520.62 in heavy trading as the market reacted to further suggested modifications in the impending capital gains tax, job cuts at Olivetti and the fragile condition of the domestic motor industry.

Traders said that the proposal for a flat 30 per cent rate, half to be collected at source and the other half to be declared by shareholders, could prompt some investors to leave the market rather than reveal their positions.

Olivetti confirmed that it wanted to reduce its worldwide work force by about 7,000 from 55,000, and the shares fell another L256, or 7 per cent, to L3,411; also in Mr Carlo de Benedetti's stable, the holding company Cir dropped 7.3 per cent to L2,640. Fiat, meanwhile, fell another L253 to L5,616.

Mr Roberto Morelli, of County NatWest, said that a fall like yesterday's was very unusual on the last day of the stock exchange account, when traders would normally be clearing their positions. "It sounds like people are taking their short positions into the next account," he said. "This is not an encouraging omen."

FRANKFURT resisted another drop below 1,400 on the DAX, the 30-share index reversing Tuesday's pattern to close 3.32 higher at 1,406.23 after an earlier drop to 1,384.62, and a fall of 7.57 to 609.41 in the FAZ at midsession.

Volume shrank from DM5.4bn to DM4bn. Siemens improved general sentiment as it raised its dividend from DM12.50 to DM13, and saw its own shares rise from DM587 in a period of early weakness to DM599, up DM3.40, after hours.

Banks found a friend in Nomura, the Japanese securities house, which credited them with "above average earnings growth prospects, superior asset quality and largely domestically driven profits". On the day the shares thought otherwise, Deutsche Bank and Dresdner easing DM1 and DM1.50, to DM576 and DM341.50 respectively.

Chemicals improved in spite of bearish comment. Hoechst leading with a DM5 rise to DM184 after the previous day's 22 per cent drop in nine-month profits, and its unwillingness to make a 1990 dividend forecast at this stage. There was a suggestion that the clearing of short positions which helped other stocks was even more effective in this sector.

PARIS lost most of Tuesday's gains, as the CAC 40 index dropped 11.00 to 1,599.13. Turnover was said to be less than the previous day's FFr1.7bn, although selected stocks showed some life.

La Rochette, the paper maker, jumped FFr6.80 to FFr61.60 on 356,000 shares after saying that its talks with foreign companies about the potential benefits of a link-up had intensified.

Lyonnaise des Eaux rose FFr12 to FFr503 with 137,450 shares traded, while Saint-Gobain dropped FFr16.50 to FFr363 on 137,330 shares after a report that turnover had fallen in the third quarter.

Eurotunnel continued to fall in heavy trading; its shares were down FFr1.50 at FFr32.50, with 3.7m exchanged, and its rights package lost 84 centimes to FFr2.60.

STOCKHOLM fell by 1.4 per cent as the Affärsvärlden General index closed 12.3 lower at 862.5 after Merrill Lynch severely downgraded its earnings forecasts for Ericsson, and County NatWest issued a sell recommendation for Volvo.

Interim earnings reports for Volvo, Ericsson and the industrial gas group, Aga, are due today. Volvo B shares fell SKr21 to SKr209. Ericsson, with Merrill Lynch's 1991 and 1992 targets reduced by 13 and 25 per cent respectively, fell SKr8 to SKr208.

COPENHAGEN declined as the possibility of a general election grew following the breakdown of talks between political parties on economic reforms. The bourse index fell 2.82 to 336.36.

Novo Nordisk, the pharmaceutical company, bucked the trend initially, rising to DKr325 after announcing nine-month results. But it could not sustain its early gains and closed DKr2 lower at DKr321.

Baltica Holding dropped DKr65, or 6.7 per cent, to DKr900 after the company ended speculation on Monday of a takeover by Hafnia, which has said it holds a 33.5 per cent stake in Baltica. Hafnia eased DKr14 to DKr555.

OSLO fell to a year's low in moderate trading as investors took profits in oil shares. The all-share index lost 5.68 to 481.14, with Norsk Hydro down SKr7 at SKr193 and Saga A shares losing SKr3 to SKr82.

BRUSSELS fell, with the cash market index dropping 34.51 to 5,106.24. Barco dropped BFr100 or 7.1 per cent to BFr1,300 after it said that second half profits would be lower than expected.

Groupe AG gained BFr70 to BFr7,680. There was a report that the company, which has merged its insurance activities with those of Amev of the Netherlands, was planning an exceptional gross dividend of BFr133.33 a share and a four-for-one share split.

MADRID slipped, with the general index down 0.97 at 230.73. In banking, Banco Central gained Pta320 to Pta4,640, while Popular lost Pta260 to Pta8,730.

AMSTERDAM inched higher in another day of quiet trading, spent tracking the Frankfurt bourse; the CBS Tendency index added 0.2 to 94.8. The weakness of the dollar continued to raise worries about exporters' earnings.

Van Ommeren Ceteco, the transport and storage company, gained Fl 1.10 to Fl 42.90 amid renewed speculation that it would sell its loss-making storage subsidiary, in spite of denials by the company.

ZURICH fell in thin trade, the Crédit Suisse index closing 4.2 lower at 472.0.

CS Holding, the parent of Crédit Suisse, shed SFr35 to SFr1,825 on its plan to increase the stake in its troubled investment banking affiliate, CS First Boston, from 45 to 60 per cent. Holderbank, the cement producer, fell SFr150 to SFr6,600 after it forecast a drop of nearly a fifth in group net profits this year.

SOUTH AFRICA

A FURTHER rise in the financial rand left most mining shares slightly lower in thin Johannesburg trading yesterday. The all-gold index lost 8 to a year's low of 1,315, but the industrial index gained 17 to 2,730.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 13 1990								MONDAY NOVEMBER 12 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	125.13	+1.1	94.43	102.47	96.28	106.88	+1.1	7.41	123.83	93.55	100.74	95.31	105.71	156.31	118.98	147.92
Austria (19)	202.81	+1.4	153.06	166.09	156.05	155.79	+1.4	1.75	199.92	151.03	162.65	153.88	153.61	295.63	178.57	145.43
Belgium (61)	139.76	+0.5	105.47	114.44	107.54	104.95	+0.3	5.52	138.86	104.90	112.96	106.88	104.62	160.02	128.67	140.90
Canada (120)	125.08	+0.4	94.39	102.42	96.23	105.56	+0.3	3.78	124.64	94.16	101.39	95.93	105.23	153.61	121.24	148.71
Denmark (33)	255.59	+0.3	192.89	209.31	196.66	197.45	+0.3	1.50	254.95	192.60	207.41	196.24	196.78	277.22	234.05	216.30
Finland (25)	105.42	+0.9	79.56	86.33	81.11	78.35	+1.0	3.89	104.52	78.96	85.03	80.45	77.59	152.92	98.91	120.74
France (122)	140.03	+0.8	105.68	114.68	107.73	109.33	+0.9	3.79	138.86	104.82	112.97	106.89	108.38	168.85	124.98	131.17
Germany (91)	115.92	+0.7	87.48	94.94	89.19	89.19	+0.6	2.54	115.17	87.01	93.71	88.65	88.65	144.63	101.38	96.85
Hong Kong (48)	122.29	+1.8	92.29	100.14	94.10	122.33	+1.7	5.41	120.15	90.77	97.74	92.48	120.32	147.49	112.24	117.57
Ireland (17)	150.16	+0.5	113.32	122.97	115.54	116.80	+0.5	4.48	149.42	112.88	121.56	115.01	116.26	186.57	139.04	156.64
Italy (91)	82.00	+0.9	61.88	67.14	63.09	63.14	+0.9	3.81	81.23	61.39	66.09	62.52	67.56	109.23	80.87	88.42
Japan (454)	130.33	+3.2	98.36	106.73	100.30	106.73	+3.9	0.80	126.25	95.38	102.71	97.19	102.71	197.26	106.58	186.80
Malaysia (35)	194.14	+0.3	146.51	158.97	149.37	201.80	+0.3	3.11	193.54	146.21	157.45	148.97	201.18	260.09	182.96	194.81
Mexico (13)	547.37	+1.3	413.09	448.24	421.17	1749.61	+1.0	0.39	540.32	408.19	439.57	415.89	1732.69	551.41	324.53	265.38
Netherland (41)	133.82	−0.3	101.00	109.59	102.97	101.91	−0.4	6.28	134.19	101.38	109.17	103.29	102.34	149.03	127.56	124.53
New Zealand (16)	49.26	+2.1	37.19	40.36	37.92	42.71	+1.5	7.88	48.29	36.48	39.28	37.17	42.08	78.36	48.15	75.31
Norway (27)	228.51	−0.4	172.46	187.14	175.83	179.29	−0.4	1.72	229.33	173.25	186.57	176.52	179.99	278.79	202.34	171.45
Singapore (25)	154.85	+1.4	116.87	126.81	119.15	122.06	+1.5	3.62	152.65	115.32	124.19	117.50	120.22	209.24	147.24	156.62
South Africa (60)	165.23	+0.4	124.70	135.31	127.14	131.10	−0.7	4.15	164.66	124.39	133.95	126.73	132.06	251.39	151.90	187.90
Spain (42)	149.02	+0.2	112.46	122.04	114.66	105.67	+0.0	5.25	148.77	112.39	121.03	114.51	105.68	182.25	128.54	153.51
Sweden (27)	168.90	+1.5	127.47	138.32	129.97	138.71	+1.5	2.93	166.45	125.75	135.42	128.12	136.64	234.93	158.07	170.62
Switzerland (66)	92.66	+0.3	69.93	75.88	71.30	71.95	+0.5	2.97	92.40	69.81	75.18	71.13	71.61	109.77	85.00	84.88
United Kingdom (299)	161.66	+0.3	122.00	132.37	124.39	122.00	+0.3	5.94	161.16	121.75	131.09	124.03	121.75	176.18	139.67	143.14
USA (533)	128.22	−0.5	96.77	105.01	98.66	128.22	−0.5	3.84	128.87	97.36	104.85	99.20	128.87	148.95	118.06	137.29
Europe (983)	136.52	+0.5	103.03	111.80	105.05	104.21	+0.4	4.45	135.91	102.67	110.56	104.61	103.80	157.55	124.91	124.18
Nordic (112)	181.57	+0.7	137.02	148.69	139.71	138.75	+0.7	2.18	180.37	136.26	146.74	138.84	137.76	223.29	172.38	166.43
Pacific Basin (655)	129.52	+3.1	97.75	106.07	99.66	106.92	+3.7	1.19	125.64	94.92	102.21	96.71	103.08	192.75	107.82	182.57
Euro - Pacific (1638)	132.73	+2.0	100.17	108.69	102.12	105.55	+2.3	2.58	130.17	98.33	105.89	100.18	104.16	174.18	116.03	159.29
North America (653)	127.94	−0.5	96.55	104.78	98.45	126.73	−0.5	3.84	128.53	97.10	104.57	98.94	127.31	148.43	119.26	137.87
Europe Ex. UK (684)	120.68	+0.6	91.08	98.85	92.86	93.81	+0.5	3.56	120.01	90.66	97.63	92.40	93.12	145.62	109.94	111.73
Pacific Ex. Japan (201)	119.31	+1.3	90.04	97.71	91.81	105.61	+1.3	6.29	117.73	88.94	95.79	90.63	104.45	148.72	116.03	131.68
World Ex. US (1810)	133.03	+1.9	100.39	108.94	102.36	107.19	+2.2	2.61	130.56	98.63	106.22	100.49	104.89	173.77	117.12	159.08
World Ex. UK (2044)	127.27	+1.2	96.05	104.22	97.93	112.95	+1.4	2.70	125.80	95.04	102.35	96.84	111.39	162.00	115.37	150.97
World Ex. So. Af. (2283)	130.11	+1.1	98.19	106.55	100.12	113.71	+1.3	3.02	128.72	97.24	104.73	99.09	112.26	161.84	118.04	150.13
World Ex. Japan (1889)	131.60	+0.0	99.32	107.78	101.28	117.53	+0.0	4.18	131.61	99.43	107.08	101.32	117.56	151.59	124.31	132.91
The World Index (2343)	130.32	+1.1	98.35	106.72	100.28	113.83	+1.3	3.03	128.94	97.41	104.90	99.25	112.40	162.05	118.33	150.25

Constituent change (14/11/90): Deletion: Mount Charlotte Invs.(UK). Latest prices were unavailable for this edition.

BUSINESS LAW

Accounting for nothing

By William Bishop and Simon Carne

IN FEBRUARY, in *Caparo Industries v Dickman*, the House of Lords ruled that the purpose of audited annual accounts was to give existing shareholders information on the company's past trading. The compulsory audit is not for the protection of potential investors or those who enter into business relations with the company.

This ruling came as a surprise to almost everyone in the business community. As a result of the judgment, auditors are now not to be held responsible for losses to third parties arising out of negligently audited accounts.

The economic consequences are potentially profound. Neither banks which lend to companies, nor trade creditors, nor investors who buy shares have a right of redress from negligent auditors.

Currently, in a related case (*Morgan Crucible Company v Hill Samuel Bank and others*), the courts are being asked to rule whether a bidder in a takeover can sue on the basis of a negligently constructed defence document.

And yet, as Mr Justice Hoffmann said in a preliminary hearing of the *Morgan Crucible* case - and the Court of Appeal has since affirmed this point, "the courts do not have the information on which to form anything more than a very broad view of the economic consequences of their decisions." He went on to say: "If the wider economic effects of a decision are contrary to the public interest, the legislature must correct it."

While we wait to see whether the DTI brings forward legislation to make auditors carry responsibility for their work, the market has already begun to correct the position for itself.

For example, banks have in many recent instances made it a condition of a loan that the borrower's auditor should write confirming that the bank may rely on the auditor's past and future audit reports, thereby providing an irrevocable and open-ended basis on which the bank can sue the auditor in the event that negligence is found.

Similarly, investors in negotiated share purchases or acquirers in company takeovers have sought a written acknowledgement from the auditors that the most recent audited accounts formed (part of) the basis on which the deal was founded.

By this means, the banks and investors create the link which the House of Lords said in *Caparo* was necessary if the auditor was to owe a duty of care to lenders and investors.

But the position is by no means back to square one. Auditors, having won an unexpected reprieve, are not giving up their new-found freedom lightly.

Many firms have declined to give banks the letter of assurance they require. But this posture cannot be maintained for long. If companies cannot get loans because of their auditor's lack of co-operation, the companies will change auditor.

After all, for years now, auditors have been willing to run the risk of negligence suits against them in return for the recurring annual audit fee. Even if some firms insist on hiding behind the *Caparo* ruling, there will be many more firms which will not turn down new business - and new recurring annual fees - simply because their prospective clients ask for a return to the previously understood position.

Indeed, one can easily envisage a state of affairs in the not too distant future where it is the normal business practice for all relevant transactions to be accompanied by letters of acknowledgement from the auditor.

It is likely to become normal practice also for audit engagement letters to contain a clause requiring the auditor not to withhold such letters without good reason. Any client who does not require such a commitment from his auditor should expect to be charged a reduced audit fee to take account of the saving in the auditor's insurance premiums.

But what of stock market transactions and particularly the hostile takeover? The buyer has no opportunity to investigate the company for itself. Until now, the audited accounts have provided a measure of comfort - or so it had been thought.

It is true, the accounts did not hold out any promise for the future, but at least the auditor's opinion provided comfort that the company's balance sheet and its past transactions had been accounted for in accordance with generally accepted accounting principles and published accounting standards.

With no redress from the auditor in the event of an improperly given audit opinion, a hostile takeover will become more risky - possibly even too risky. At the very least, there would be an effect on the bid price. In the absence of corrective legislation, it will be up to the Stock Exchange to seek ways to mitigate the effects of the increased risk.

One course of action the Stock Exchange might explore is to require all quoted companies to obtain from their auditors an annual letter addressed to the Stock Exchange acknowledging that the company's accounts are used by members of the Exchange in the daily transactions that take place.

There would inevitably be tough negotiations between the Stock Exchange and the Institute of Chartered Accountants over the form of such a letter, but these bodies should be able to come to an accommodation which will enable London to continue to function efficiently as an international stock market.

And what of the courts' role in all of this? When the business community has settled down into a revised *modus operandi*, the recent judgments will probably seem as nothing more than a temporary hiccup. But there will still be a cost to the community - the cost of resuming "normal service" and the losses suffered by those who miss out in the meantime.

The courts could, of course, have anticipated this result if they had considered the following issues:

- For many years now, negligent auditors (and their insurers) have settled claims from, for example, banks on the assumption that auditors were liable. Is it in the public interest to rule now that those settlements were wrongly founded? Was it likely that the business community would accept such a judgment without demur?
- How can the stock markets function effectively without any sanction against an auditor who reports improperly on the company's financial position and would the market allow such a lax position to prevail?
- On a more legalistic note, if the compulsory lodging of audited accounts with Companies House is solely to protect the existing shareholders and not for the benefit of the community at large, why are companies with unlimited liability exempt from this requirement? Surely their shareholders need more protection, not less?

Law and economics cannot function in isolation of each other. They are inextricably interlinked, not because we chose to make them so, but because legal and economic forces interact to determine business behaviour.

Until the courts' recent judgments, it had been a widely held belief - possibly a universal belief among businessmen - that the laws surrounding limited liability companies existed to protect not only the existing shareholder from the company's management, but also to protect those who do business with such companies by imposing a discipline on those who would protect themselves behind the cloak of limited liability.

Businessmen held this belief and believed it to be sensible. If the courts say that it is not, in law, it is inevitable that businessmen and the market in which they operate will adjust to restore the position (unless the legislature steps in to save them the bother).

Economists, and lawyers familiar with economics, know all about this phenomenon. It even has a name: it is called the "Coase Theorem". Whenever the courts make or impose an inefficient rule, people will bargain and contract around it. They will eventually arrive at an efficient result - one the law could and should have adopted in the first place - only they will have wasted effort ("resources") in negotiating and contracting.

In America, judges nowadays are familiar with some economics. About half the federal judiciary has attended a course in economics for judges - and it shows in their judgments. For example, the Coase Theorem is mentioned in several American cases. The reasoning needed to think one's way through the policy considerations of *Caparo* is not difficult - many American courts would do it without stress - and the benefit to commerce makes it worthwhile to take the time to do so.

The authors are principals in Putnam, Hayes & Bartlett, economic and management counsel, specialising in litigation consulting and expert evidence.